

# FranchiseReview

Official Journal of the Franchise Council of Australia



Battery World Interview:  
**franchisee  
focus the key  
to success**

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# Jeans get better with age. Software doesn't.

Unfortunately, time takes its toll on technology. Microsoft will end security updates for **Windows XP and Office 2003 on 8 April, 2014**.

Without these updates, you leave your organisation at risk of harmful viruses and business disruptions. Don't put your business at risk. It's time to modernise your business IT.

# FranchiseReview

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Front cover, the entire Battery World network  
participate in fundraising for Camp Quality.



FRANCHISE COUNCIL OF AUSTRALIA

# People behind growth in Franchising

FCA Chairman, Michael Paul



Michael Paul,  
Chairman FCA

Last year we beat the drum of consolidation and collaboration. 2014 is shaping up to be the year of growth.

Despite turbulence in the Australian aviation and automotive industries, news for small business coming out of Canberra and the corporate sector has been decidedly positive.

The Inaugural Westpac-Melbourne Institute Small Business Index released earlier this month indicated small businesses are performing better than they were three months ago and owner operators are feeling positive about their current and future performance, despite tough competition and a challenging economy.

The index showed that four out of five small businesses expected their sales to increase and net employment is predicted to increase also. You can read more about the state of the economy in Alan Oster's NAB Economic Update on page 6.

**“Passionate, motivated franchisees with the ability and readiness to invest are the driving force behind the continued growth in this sector.”**

## Support from Government

Late last month Small Business Minister, Bruce Billson appealed to lenders at a G-20 conference in Sydney. Despite the recovery from the global financial crisis, the availability of finance for small business has not improved, and in the Minister's view, is hindering Australians going into business.

“This inability to obtain start-up finance is a strong disincentive to those looking to start a business.

“The Government wants this to change. A lending environment where families do not have to put their home on the line to obtain finance would lead to more entrepreneurship in Australia,” Minister Billson said.

Passionate, motivated franchisees with the ability and readiness to invest are the driving force behind the continued growth in this sector. The FCA fully supports Minister Billson in his plan to make running a small business in Australia more accessible and less burdensome.

It's fitting then, that our first issue of Franchise Review for the year follows the theme 'People'.

Along with the news coming out in mainstream media in the first couple of months of the year, this is also the message coming loud and clear from within the membership.

You may have participated in the FCA member survey we released at the end of last year.

The survey was conducted by a third party and designed to provide insight into what you want from your membership, where your challenges lie in the sector and how you prefer to engage with us. Along with other findings, the results of that survey told us two of the major challenges facing our members were finding suitable franchisees and access to finance to ensure the right people are becoming a part of your brand.

To this end, people - your people - have become a key focus for FCA this year. We will bring you news on new initiatives based on those results in the months to come.

## NFC14


We continue with this focus into this year's convention. People Passion and Performance will be the cornerstone of the year's largest franchising event. Delegates can look forward to case studies, dynamic keynote speakers and valuable tools to grow their businesses, increase market share, foster talent, and improve culture. I encourage everyone to mark Sunday 26 – Tuesday 28 October in their diaries. The Convention, to be held at Olympic Park in Sydney will be three of the most valuable days you spend all year.

The Convention will open with the Legal Symposium and CFE learning stream on Sunday and will conclude with the revamped Excellence in Franchising Awards on Tuesday night. Entries to the Excellence in Franchising Awards are currently open.

**“The awards are a sensational opportunity for your franchisees and staff to engage in professional reflection and goal setting, but also for your organisation to recognise and reward your standout performers.”**

These awards have recognised the pinnacle in franchising success for years. This year, they have been revamped in order to maintain pace with the changing face of the way we are all doing business.

The awards are now completely online. They are judged entirely independently of FCA head office and are also managed by a professional awards organisation. The program has been streamlined to reduce time to enter, however, careful consideration has been given to ensure the categories still serve as a valuable business analysis tool and a means

to benchmark your business against your own previous performance. The awards are a sensational opportunity for your franchisees and staff to engage in professional reflection and goal setting, but also for your organisation to recognise and reward your standout performers. If you have not entered the awards in the past, I strongly encourage you to seek out those in your business who deserve to be honoured. 

You can read more about the awards here. [www.franchise.org.au/categories--criteria--judging-process.html](http://www.franchise.org.au/categories--criteria--judging-process.html)

**“I encourage everyone to mark Sunday 26 – Tuesday 28 October in their diaries. The Convention, to be held at Olympic Park in Sydney will be three of the most valuable days you spend all year.”**



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FRANCHISE COUNCIL OF AUSTRALIA

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The banner features a hand-drawn diagram on a dark background. A hand is shown drawing a group of three people, a bar chart with an upward arrow, and a heart. Arrows connect these elements in a circular flow, suggesting a cycle of success factors: People, Passion, and Performance.

# 2014 Economic Outlook - Transition Period Creates Opportunities



By Alan Oster,  
NAB Group Chief Economist

It is shaping up to be a very interesting year for the Australian economy. Having negotiated the worst of the global financial crisis in reasonably good shape – thanks to increasingly important ties with rapidly growing emerging Asian economies – Australia now faces a period of transition that is throwing up a number of difficult challenges and important opportunities. The next phase of the mining boom, structural changes in industry, a still elevated AUD, stricter fiscal spending, and shifting global growth dynamics are all going to play an important role over the coming 12 months or more.

The boom in mining investment, which has been a significant source of growth and employment in Australia, is now passing its peak and will soon present a significant drag on the domestic economy. With commodity prices well off their peaks and set to fall further, there has been a want of new mining projects announced, while many previously announced projects have now been shelved. Mining projects that are currently under construction – and have taken many years to develop – will soon become operational, generating a significant lift in Australian mineral exports. However, this ‘export phase’ of the mining boom is going to be much less labour intensive and will have a big impact on Australia’s labour market.

The task for the Australian economy, therefore, is to increase domestic demand growth in the non-mining sectors of the economy in the face of the headwinds stemming from the mining sector. That task is complicated by the high AUD, a cautious consumer and very wary business intentions (and flat credit demand). Currently, the Australian economy is not generating enough jobs to soak up the natural increase in the labour force, pushing up the unemployment rate – an influx of workers leaving the mining construction sector is likely to exacerbate the problem. The silver lining for firms in the non-mining sectors is that a greater availability of labour should lead to lower labour cost pressures, although at the risk of additional consumer caution.

The other defining factor of the Australian economy has been the elevated level of the AUD. Global economic uncertainty in recent years (particularly in the advanced economies) boosted the attractiveness of the AUD to foreign investors as a relatively ‘risk-free’ proxy for the economic success of China’s and other EM economies. In combination with high commodity prices, these factors have kept the AUD at its highest levels since it was floated in 1983. This, has proved to be too much of a constraint on the competitiveness of a number of trade-exposed industries, particularly

manufacturing which has been in structural decline. Consequently, it is not clear where the growing slack in the labour market will be taken up. Fortunately, with the advanced economies now showing signs of improvement, we expect to continue to see the AUD come under pressure, edging down to around USD 0.84 by the end of the year.

Nevertheless, the plight of the manufacturing sector has been highlighted recently by high profile announcements to shut Australian automotive manufacturing plants in coming years. Long-run resource allocation benefits from these closures should be set against frictional unemployment in the near-term, which will have particularly noticeable impacts on local economies around the existing auto manufacturing operations (especially Adelaide, Geelong and Melbourne’s inner west).

Outside of Australia, conditions appear to be improving, particularly for the major advanced economies, which are expected to contribute to a rise in global economic growth this year. Europe’s decline seems to have ended thanks to the strength of the major ‘core’ economies, although there is also growing confidence that the worst may be passing for the embattled periphery economies. Similarly, stimulus measures in Japan have so far had some success in lifting growth and stemming deflation. The United States has been a relative bright spot as the economic recovery gains. This has prompted the US Federal Reserve to start tapering the amount of ‘easy money’ they are injecting into the economy.

**“Outside of Australia, conditions appear to be improving, particularly for the major advanced economies, which are expected to contribute to a rise in global economic growth this year.”**



**“The task for the Australian economy, therefore, is to increase domestic demand growth in the non-mining sectors of the economy in the face of the headwinds stemming from the mining sector.”**

For Australia, improving growth in the advanced economies will support exports to some degree, as well as the exports of our major trading partners. However, the pull back in liquidity from advanced economies has been raising interest rates in various emerging economies, while domestic factors will see growth slow further in countries like China – Australia’s largest trading partner.

In light of all the above challenges, we have already seen growth dip below trend in Australia and the unemployment rate rise to a ten year high. The central bank has responded by slashing interest rates to help lower the AUD and encourage domestic demand. Recent data suggests that this is having the desired effect, with residential construction and

household consumption both showing signs of improvement from late last year. Our own business surveys are also showing that Australian businesses are becoming more confident that things are going to improve and that they are already starting to see this reflected in their own business activity – although results vary noticeably across industries.

Finally, inflation is an important factor to consider both in terms of how it affects individual businesses, as well as what it means for the central bank in setting monetary policy. The cash rate has stayed low due to very subdued inflation pressures, but recent inflation data (including house prices) have surprised to the upside, posing a dilemma for the RBA.

However, we expect the soft labour market and public spending to keep prices contained. Our best guess is this means that the RBA will have scope to cut interest rates at least once more (by 25bp) in response to the deteriorating labour market, perhaps towards the end of 2014.

All up, we think it is going to be a difficult transition for the economy, but one that it is suitably equipped to handle. Although we expect the unemployment rate to push higher, reaching 6½% later this year, with assistance from lower interest rates, a lower AUD and improving global growth, we expect Australia’s GDP growth to rise to around 3% this year (slightly below trend), even as the Chinese economy slows a little further. **fr**

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Ian, Altered Images Photography

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# Tax man offers helping hand to franchisees



Steve Vesperman  
Deputy Commissioner  
Small Business & Individual Taxpayers

The Australian Taxation Office (ATO) is changing the way it does business by employing a lot more carrot and a lot less stick, which is good news for franchisees.

The ATO's Steve Vesperman says there's a range of help and assistance products they are offering with no strings attached.

"It's in everyone's interests that small business, which is effectively what most franchises are, get it right the first time.

"We are determined to provide support to taxpayers who want to do the right thing.

"Any business that engages with us to get help to stay on top of their tax and super obligations, is **not** putting themselves in the firing line.

"In fact any business that takes advantage of the help we offer is a business much less likely to attract compliance scrutiny down the track."

Steve says first and foremost, **Small business assist**, an interactive tool into which you type your question, is particularly helpful because it's so easy to use.

"It tells you how to register for an Australian Business Number (ABN), register for and understand your obligations around GST, your obligations as an employer and lodging Business Activity Statements (BAS)."

"If you're relatively new to a franchise you should also take advantage of our **assistance visits**, where we come out to your premises and provide hands-on advice specific to your needs.

"We'll show you how to ensure you're keeping adequate records, that you're correctly registered for an ABN and GST, that you understand how to complete and lodge your

BAS on time, that you understand pay as you go withholding, fringe benefits and capital gains taxes.

"We can advise you on **fuel tax credits** to help cut your transport costs and we can also give you tips on managing cash-flow so you can meet your tax and super payment obligations when they fall due."

Steve says superannuation is an area that those new to a business need to understand.

"Super Guarantee is an employee entitlement so not depositing the correct super contributions into a complying super fund or retirement savings account at least four times a year is the same as short-changing your staff on their wages or salary.


"And it actually is more expensive if you don't meet your obligations, because you then have to pay the Super Guarantee Charge to the ATO, plus interest and charges, and unlike Super Guarantee payments into a fund, it's not tax deductible.

"That means you can actually end up paying twice as much or more than you would have if you had complied with your Super Guarantee obligations.

"So again either go online to [ato.gov.au/super](http://ato.gov.au/super) or make sure you ask about fulfilling all your super obligations during an assistance visit when talking to us by phone."

Steve says when it comes to phone contact, they understand that running a small business, is relentlessly time consuming, so engaging with the ATO during business hours may not be realistic.

"We've introduced an after-hours call-back service so you can book a call-back at a time that suits you.

"We're also launching a specific small business menu on our ATO mobile app so you can have instant smart-phone or tablet access to **Small business assist**, tools and calculators, youtube videos for small business, answers to frequently asked questions, news and updates at your fingertips anytime anywhere." 

For further information log-on to [ato.gov.au](http://ato.gov.au)

## ATO franchisee help and assistance

### Small business assist

- Register for ABN, GST
- Understand tax and super
- Get BAS right

### Assistance visits – no strings attached advice on

- Record keeping
- Managing cashflow and debt
- BAS obligations
- Fuel Tax Credits
- Superannuation (Super Guarantee, SMSFs)

### After-hours call back

- Information help and assistance by phone after hours
- To arrange, ring 13 28 66 during office hours

### CLICK BELOW FOR TIPS ON:

- GST
- Super
- Managing cash flow

## Member Insight



Sara Pantaleo,  
FCA Board Member and  
CEO of La Porchetta

Franchise Review asked FCA Board Member and CEO of La Porchetta, Sara Pantaleo to share her thoughts on the recent IFA Convention and Franchisor Study Tour in the United States.

# USA IFA Convention and Study Tour 2014



Delegates participate in expert roundtable sessions

**“The trip to the IFA convention and Study tour provided insight into best practice and what is available to improve our business. Even if the trip re-enforces that what you are doing is right, I recommend that anyone in the franchising community attend.”**

## The USA

This was my second time attending the International Franchise Conference. The last participation was in 2008.

I found this experience to be very different to six years ago, probably because it was in New Orleans and not Palm Springs and also because I attended some CFE sessions and participated in a Study tour of US franchisors.

The objective of my trip was to assess American systems and learn from the largest franchise community in the world. I also took time in the evening to walk around and speak to some of the locals to feel the local culture. I believe even though America is the largest capitalist country in the world, each state works very differently. Just attending a parade in New Orleans I noticed three levels of police: the local county sheriff, the New Orleans police and the State of Louisiana police. I believe they also have a federal police force. The vibe in New Orleans and Atlanta could not have been more different. It feels to me like each state of the USA has laws and acts as a separate country in its own right.

## The Conference

Let it be said that attending a conference with 3500 attendees is quite overwhelming.

Choosing sessions to attend in all the different streams can be quite daunting. I do, however like the way they have different streams, such as Financial, New Markets, Digital Marketing, Franchise Leadership etc.

There is definitely something for everyone.

The sharing and camaraderie of the franchising community in the US, I believe to be the same as Australia. Everyone was willing to share and impart information freely.

I attended two CFE modules for Leadership vs. Management and Leadership in Franchising. I found both sessions invaluable and I believe that I have gained lots of small tips on how to improve my leadership by empowering and making my team more accountable, as well as tips on engagement with franchisees. We had a CEO speak and share her story on how she engaged with her 450 franchisees when taking over from a founder of the company. She gave some real and amazing insights. Best Practice in the USA is the same as it is in Australian franchises, franchisee engagement is not only paramount, it is the number one priority. I highly recommend the CFE sessions; I gained most of my knowledge and insights there.

In my networking, I was very impressed by the number of units which franchisors have, as well as the number of units franchisees hold. Some franchisees have over one hundred units. To put matters into perspective though, when you take into account that the USA has the third largest population behind China and India, Australia is no small player. If you do a per capita analysis a system in Australia which has 50 units is equivalent to a US system with 690 units.

In the USA, ownership of multiple brands is common, whereas Australian companies have only started to own multiple brands in the last few years. In America, both franchisors and franchisees can and do own multiple brands, so they are far more advanced in this respect.

I believe this is something that Australian brands will need to reconsider in their restrictive clauses.

What I loved about travelling with the FCA group, was the Australian Delegation had a morning of special sessions covering speakers on International expansion in the US and other parts of the world. We heard from an American company with multiple brands expansion outside of the US, and two Australian franchisors and their experience in entering the US market.

The consensus is that not only must you plan for any International expansion, but you must also have money to back you up, including a great understanding of the mind set and the market you are entering.

The best advice given, in my opinion, was that you must not only do market research, but also perform analysis of the Australian model and its feasibility for that particular market. You need to assess whether or not the model should be changed to suit the country.

We learned that it's also important to have a partner who has a great deal of capital, as on many occasions the first or second site may not work in the new market. Having a dedicated International team is also imperative so that the company does not lose focus on the local market.

I also enjoyed networking with the Australian and New Zealand delegates and have learned a lot from their systems as well. I now have a small network of people with whom I can speak about the business. Thank you colleagues for your sharing.



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## Member Insight cont

### The Study Tour

In Atlanta we visited three franchisors and learned about six brands. The Roark Capital Group ([www.roarkcapital.com/portfolio-companies.php](http://www.roarkcapital.com/portfolio-companies.php)) is a private equity investor that owns multiple franchise systems.

We learned about three of their brands: Moe's (Moe's Southwest Grill is the neighbourhood burrito place offering flavourful South-western fare with a healthy twist), McAlister's Deli (quick casual restaurants offering a variety of sandwiches, salads, soups, wraps and desserts) and Cinnabon (Cinnamon Rolls bakery). We also visited two other brands Shelfgenie (Kitchen storage solutions) and Wingzone (Chicken wings) and heard from Aaron's (Rentals of household necessities) at the Kilpatrick and Townsend offices.

I found their systems and training to be quite impressive. They have amazing methods to simplify processes so that anyone can do a task. I believe they do this extremely well.

Some of these brands had very sophisticated CRM systems which enabled to-the-minute monitoring of sales and comprehensive data to measure all sorts of activity.

It surprised me to see that even though the labour costs in the US are substantially lower than Australia, their biggest concern at present is the

**“The sharing and camaraderie of the franchising community in the US, I believe to be the same as Australia. Everyone was willing to share and impart information freely.”**

proposal from President Obama to increase the minimum wage.

In the USA, if you have a good model and system, it is much easier to reach large unit numbers because the population is so much greater.

They have very aggressive Sales and Marketing techniques. Some of the brands we heard from during the conference are doing conversions. They purchase industry databases and have a telemarketing department that contacts potential business owners to convert. I believe some brands are only just starting to do this in Australia.

The American franchise systems do not have as many field support staff as our Australian ones. Some of the brands had a ratio of one to one hundred for field teams.

American CEOs are less involved “in the business” and work more “on the business”, however they are now starting to recognise that they need to spend some time in the field, or directly communicating with franchisees to get a feel for what is happening at ground level.

We finished the tour at Coca Cola World and learned all about the history and success of the Coca Cola Brand. It was very interesting to see that in the early days they experienced some very difficult times in their brand. They changed their recipe and there was an outcry from customers. They recognised the error, ate humble pie and apologised to their customers. They are now one of the largest brands in the world thanks to their innovative and creative marketing campaigns.

I thoroughly enjoyed the experience, the learning and the networking. My opinion is that in business, to stay relevant you need to innovate and understand your customers and their needs. If you are a franchisor you must also have strong franchisee engagement.

The trip to the IFA convention and Study tour provided insight into best practice and what is available to improve our business. Even if the trip re-enforces that what you are doing is right, I recommend that anyone in the franchising community attend. [fr](#)



There were plenty of networking opportunities at the convention.



The bustling IFA Exhibition Hall

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26-28 OCTOBER OLYMPIC PARK SYDNEY

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## International Trends

With the help of Austrade, *Franchise Review* takes a look at the franchise landscape in countries around the world.

# Franchising in India



Michael Carter  
Trade Commissioner for the Australian Trade  
Commissioner (Austrade) based in Chennai

### Opportunities for Australian franchise brands in food and beverage; education; retail; health, beauty & wellness and hospitality

With a young, increasingly affluent and urban population, India presents significant opportunities for franchising.

Growing international awareness and the desire for more sophisticated retail and lifestyle choices, make this an important market in any global growth strategy.

India is Asia's third-largest economy, experiencing strong gains over recent years, including GDP growth for 2012-13 at 6.2 per cent. Its middle class is now over 250 million.

While franchising as a business model has been prevalent in India for some time – there are some 3,000 systems operating in the country already - demand for high quality “brands” and services is driving further expansion.

Sectors where a franchise model is widely adopted include food and beverage; education (including pre-schools, ICT and digital training institutes); healthcare; beauty and wellness; retail (clothing, jewellery, food & grocery); courier services; automotive and hospitality.

KPMG India estimates franchising in India was worth US\$13.4 billion in 2012 and expects it to grow by 30 per cent over the next five years.

Bata, a leading footwear brand, was among the first franchisors in India but other prominent examples include NIIT, Apollo Hospitals and Titan watches. International brands already established in India include Dominos, Pizza Hut, KFC, McDonald's, Baskin Robbins and Subway.

Australian brands are also present.

Cookie man, for example, has licensed its brand in India to Australian Foods (I) Pvt. Ltd - an Indian-Australian joint venture. The company operating under the Cookie Man brand offers a diverse line of fresh-baked Australian cookies.

Gloria Jeans Coffee operates outlets through a franchisee partnership with Citymax, a company affiliated with Dubai-based Landmark Group, Gloria Jean's Coffees commenced in 2008 and now operates 27 outlets in Mumbai, Bangalore, New Delhi, Gurgaon, Chennai, Hyderabad, Ahmedabad and Pune.

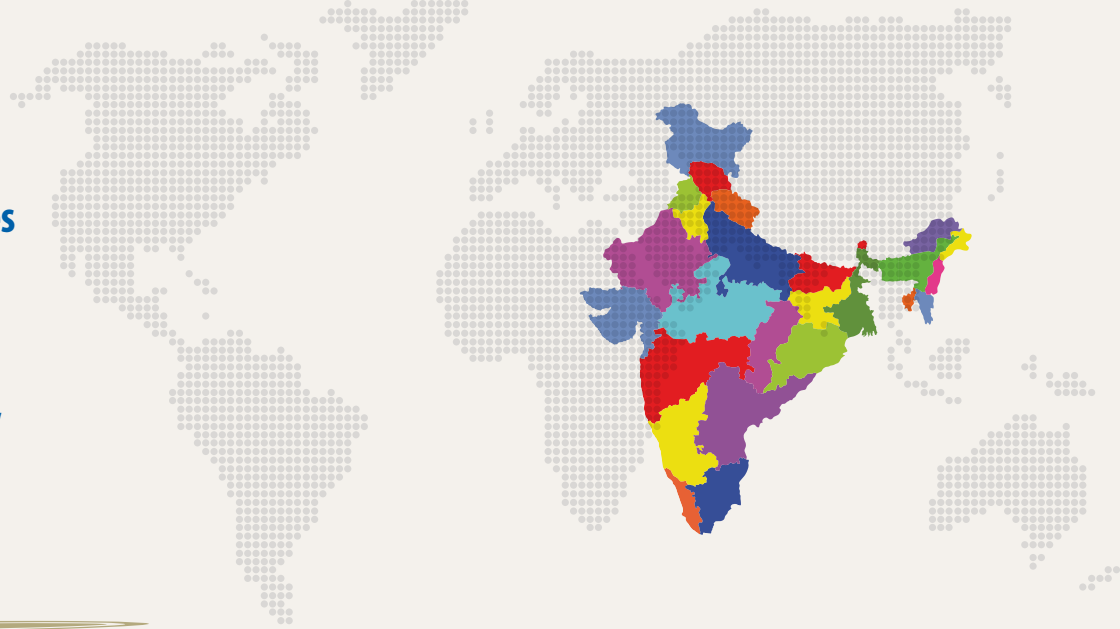
Dessert chain Chocolate Room has appointed a master franchisee and now has more than 42 outlets across India, especially in key cities such as Mumbai, Delhi, Bangalore, Hyderabad and Ahmedabad. Australian bath-ware brand Caroma, meanwhile, has opened its first “experience store” in New Delhi and has plans to expand to Bengaluru and Hyderabad.

#### Entry to Market

Australian franchisors should consider several factors when deciding on market entry to the Indian market.

**“Growing international awareness and the desire for more sophisticated retail and lifestyle choices, make this an important market in any global growth strategy.”**

**“KPMG India estimates franchising in India was worth US\$13.4 billion in 2012 and expects it to grow by 30 per cent over the next five years.”**



Firstly, they need to be aware that India lacks a specific legislative framework for franchising. There are a number of laws governing franchising, including competition laws, intellectual property laws; consumer protection laws, the *Indian Contract Act, 1872*, and the *Foreign Exchange Management Act 1999* (FEMA).

Companies should familiarise themselves with the regulatory environment or locate a strong local law firm that can assist them.

Franchisors also need to consider regional differences and preferences. India is not a “single market” – consumers have diverse cultural backgrounds. High real estate prices in many prime locations can also be a barrier for smaller players.

The rapid growth in consumer spending, sophisticated, well-travelled and youthful populations and an increasingly liberalised economy have made India an attractive destination for investment.

The Australian Trade Commission (Austrade) can facilitate initial contacts with potential partners. For more information on the current Indian franchise sector please email [india@austrade.gov.au](mailto:india@austrade.gov.au) 

*Source: KPMG and FAI report on Franchising Industry in India 2013*

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\*(ABS 2012)



# Attracting, engaging and retaining franchisees

By Sarah Robertson  
Keep Left PR

Choosing a franchise can be a lengthy and somewhat daunting process for a potential franchisee. In today's market just about any business can be franchised and there's no shortage of different business models and support systems on offer. So who is doing it well and what level of support do they provide new franchisees? We approached two different and successful Australian franchise operations – endota spa and Bakers Delight – to discuss their strategies for attracting and retaining franchisees.

endota spa opened in 2000, with a vision to build a down to earth spa business helping customers to take a load off. Friends Belinda Fraser and Melanie Gleeson opened their first spa together on the Mornington Peninsula, and over the past 14 years, have extended their franchise network to become Australia's largest day spa network, with 85 spa locations and over 100 franchisees.

The business finds many of its new franchisees are often clients who have decided they'd like to own a slice of the calm world of endota spa after having received a voucher, some endota products or having experienced an in-spa treatment.

Similarly, Australia's most successful bakery franchise attracts a great many of its franchisees from among its ranks.



Gabby Kelly  
General Manager Operations  
Bakers Delight

The first Bakers Delight bakery was opened in 1980 on Hawthorn's Glenferrie Road, by fourth-generation bakers and current CEOs Roger and Lesley Gillespie, and business partner, Gary Stephenson.

Within eight years of opening, the Gillespies owned 15 bakeries and by franchising the business, grew to 43 bakeries across Victoria over the following three years. Today, the business has grown to more than 700 franchisees across Australia, New Zealand and Canada, and is seeking to expand its operations further over the next 12 months.

So how have these two businesses developed their recipes for success and what are their plans for continued growth in 2014 and beyond? Both businesses believe a crucial part of their success is identifying and attracting the right type of people as franchisees, rather than making selections based on those that have the capital.



Melanie Gleeson  
Co-founder endota spa

Bakers Delight operates a two-pronged vetting process to ensure candidates are the right fit for running a bakery.

Firstly, candidates are put through an interview process, bakery orientation and a two-day trial to establish whether a potential franchisee is the right fit for Bakers Delight and whether they believe the business is a good match for them, their goals and lifestyle. Once approved, candidates undertake a four-month training program in a bakery environment, learning everything from baking skills to effective management practices.

endota spa advocates a hand-in-hand approach to welcoming franchisees on the journey of becoming an owner, assisting them with financing, operational set-up and providing the most comprehensive therapeutic training of any spa business in Australia.



But what attracts franchisees to the business in the first place? For Bakers Delight, established brand equity and recognition is an attractive proposition. Removing the work of building a brand and familiarity with its target market means franchisees can get on with running their business. It supports franchisees with managing areas of their business they may not be familiar with and building their skills in areas such as IT, local marketing and industrial relations. Franchisees also have the opportunity to provide advice and learn from one another, making the franchisee experience a collective one.

For endota, the brand's values, product and marketing and overall look and feel of the business are its key selling points to interested franchisees. Each month, a new in-spa campaign is launched with assistance from a central marketing committee and each spa owner has an opportunity twice per year to develop a tailored marketing calendar. Franchisees also have access to local marketing tools to further develop their marketing skills and are encouraged to take ownership of their presence in the local market.

The current economic climate continues to pose challenges for franchisors. Limited access to capital and people being more risk averse to starting their own business remain significant hurdles in the market.

To combat these issues, particularly in areas where brands are not as established, businesses need to take a different approach to recruitment.

"At endota spa, we currently have franchising opportunities available in Queensland and Western Australia, however due to our brand awareness in these states not being quite as strong as in other areas, our franchisee recruitment process is far more comprehensive to ensure recruits have the drive and entrepreneurial skills required to pioneer the brand and its values in those areas," said endota spa co-founder, Melanie Gleeson.

Partnering with reliable third-party organisations is one way franchisors can establish a point of difference from other operators. endota spa partners with some of the major banks to assist new franchisees to acquire capital for their investment. They are also the only beauty franchise that partners with an expert human resources lawyer to provide on-call advice to franchisees. Likewise, Bakers Delight offers national purchasing and public liability programs to franchisees to help minimise operating costs.

For Bakers Delight, combating the issue of finance for suitable candidates has provided a valuable way of fostering the development of potential franchisees. Bakers Delight offers those wanting to own a franchise but don't have the required capital, the opportunity to take part in a 12-month program called Manage To Own.

"The program gives upcoming franchisees the opportunity to undergo paid franchisee training and to manage a company owned store for a period of time giving them the leadership, business and industry experience to eventually run their own business," Bakers Delight General Manager Operations (NSW, QLD & VIC COBs) Gabby Kelly said.

**“Both businesses believe a crucial part of their success is identifying and attracting the right type of people as franchisees, rather than making selections based on those that have the capital.”**

For both businesses, retaining franchisees is just as important as recruiting. In order to retain franchisees, endota spa believes factoring in an exit strategy while developing business plans is imperative as it helps to make sure franchisees have a clear end in mind while being able to get the most out of their experience.

It enables the franchisor to better understand the goals of its franchisees in the context of their broader business plan. It's a consideration that has paid dividends for endota spa, with only six spa locations changing hands in the past financial year.

Similarly at Bakers Delight, the majority of franchisees stay with the business for ten or more years. The retention rate is aided by the company's focus on internal recruitment and initiatives such as its Fresh Franchisee program, where motivated bakers and bakery assistants can work towards becoming a franchisee by using the company's education and development tools.

A high quality and consistent approach to training and development is one of the most effective methods to setting and maintaining quality control across a franchise network. It is also an important way of making sure new franchisees feel included and supported on their journey with a business. At endota spa, new franchisees are provided with a 12-week training program and at Bakers Delight, new franchisees are provided with a four-month training program to set the required standards, develop knowledge and skills, build confidence and instil the brand's principals and standards.

endota spa also cites the importance of a supportive franchise network in helping to retain and grow franchisees. Its annual franchise conference, where knowledge is shared and franchisees are encouraged to collaborate is an important part of how the business supports ongoing development. It has helped more than a third of endota spa franchisees to open a second location or explore opportunities to do so in the near future.

The quality of the relationship between franchisor and franchisee can often play a key role in the success of a business. endota spa believes effective communication is the key to nurturing supportive relationships amongst its network. endota provides franchisees with direct access to a skilled management team, a dedicated business development manager and a support centre to assist with all aspects of their business. endota spa's franchisee council also provides an important forum for franchisees to have their say and to feed in suggestions for new marketing ideas.

For the team at endota spa, working with people who share their passion for customer service and delivering an exceptional customer experience is the most important thing. For the team at Bakers Delight, it's about supporting the right people with the high quality training, development, systems and processes to grow their talent and opportunity for success.

Like all of us, franchise businesses come in all shapes and sizes. But there's one thing they all have in common when it comes to success: you can't beat having the right person in the right business. **fr**

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## Franchisor Interview

# Battery World: franchisee focus the **key** to success

Queensland-based retail brand, Battery World has experienced strong growth and impressive success since it's beginning less than 20 years ago.

In the short time the company has been franchising, Battery World has moved from a niche in the automotive industry to an award-winning retail network with national reach and a business that spans any industry requiring batteries or battery related products.

*Franchise Review* caught up with CEO John Pascoe to learn about the origin of the brand, where they're headed next and how they maintain their award-winning culture.

**Battery World started in 1997, looking a little different to how it does today. Can you tell us a little bit about how that came about?**

In 1997 our then parent company Century Batteries (now Century Yuasa a key Australian automotive battery manufacturer) could see the writing was on the wall that everyday batteries and portable power were set to become an integral part of life in the future - beyond just car and marine batteries. The world of mobile phones and internet was in

its infancy so to tread lightly - and in a sense gather intel on where the trends were going and just what customers would need - they trialed retail stores as something of an add-on if you like in the auto electrician businesses.

**You officially franchised in 2000?**

The franchising model that exists today is the true structured standard. Our first stores in 1997 were more of an agency agreement. We used the term loosely because we could see this was the track we needed to go down to formalise "agency" agreements and deliver on the brand concept that was strongly growing and developing. That evolved by 2000 when we turned 37 agencies into the franchise model we deliver on today.

*Battery World had its start in the automotive industry and still services the sector today.*



“  
...we are growing the brand with ‘purple blood’, people who will still be with us in 10-15 years .”

### Currently what are the key products and services for Battery World?

The technology boom has really driven our key products and services. There are new model mobile phones every day so phone shops cannot keep up with the batteries needed for previous models – we do. It was a natural evolution that we would continue to stock automotive and marine batteries – but now have batteries for more gadgets everyday. We can power everything from your TV remote and smoke alarm to forklift batteries or major UPS systems on oilrigs.

### How many locations are you currently operating?

We have eighty locations.

### Of those 80, how many of those are multi-unit franchisees?

We have three.

Our point of difference with our competitors is service – customers like to deal with the owner. You can’t go on the Internet and buy the service our team delivers – what if the gadget still doesn’t work with a new battery? Nothing beats the personal service by the business owner – they do take the business personally.

### Of those 80 locations, are any of them company owned?

We have eight company owned stores.

Since our point of difference is exemplary levels of service we have a commitment to never having more than 10% of company owned stores. Our objective is to always put a franchisee with a vested interest in the brand with a store but we are mindful there is an expectation of a Battery World store in all consumer markets.

### What are your growth plans for 2014?

Without bragging Battery World stores continued to deliver growth when other areas of the retail sector were flagging due to the simple fact we are a necessity.



When consumers tighten their belts they do not upgrade a phone or gadget but try to get further life out of the existing one with a new battery. We are a grudge purchase: no one is thrilled to buy batteries but with our mantra to problem solve for customers, our stores were able to continue to drive the brand which has led to more and more franchise enquiries. In the past 18 months we have been thrilled with the addition of three new stores. We would cap this at six new stores a year, ensuring we are growing the brand with “purple blood” people who will still be with us in 10-15 years.

### How do you make sure a potential franchisee has ‘purple blood’?

Battery World has a stringent assessment for potential franchisees – we take it personally that you join a brand that becomes an extended family. Every interviewer has a nuance they look for to give them an indicator or insight of what type of person you are. For me it is how you treat the receptionist. They may look good on paper and of course have the money to buy in – but since we are customer focused the big question is, “Just how good are they with people”? We usually have a six-month process: three interviews and the potential franchisee has to go out and speak to existing Battery World franchisees. Over the period they would probably visit more than 10 stores.

**“Words like respect, teamwork, taking initiative to make things better; build and maintain self-esteem in others; and maintain constructive relationships; these values are more than just words on a wall.”**

### How do you maintain the values from your mission statement in your team and franchisees once they’re on board?

I’m continuing a critical strategy started by my predecessor. In order to move forward, we needed a complete over view of the operation from site locations to the people essential to achieving our mission statement. We closed stores that did not deliver in the new Battery World Franchise realm and moved stores from industrial areas or retail B locations to strip malls and homemaker centres – A retail sites.

We added the “purple blood” idea which became a fundamental criteria for recruiting new franchisees while we used team building to focus attention on existing business owners to ensure they were comfortable with the new “brand-driven” direction for the company. Having previously worked in the military my philosophy was there was no rank in the room. Open communication with everyone’s opinion valued ensures we can nip problems in the bud. The staff along with franchisees, all know they can call me anytime: that my phone is always on. Store performance is a key barometer if things are not what they should be. So month to month we can see if the team is happy or if things are askew.

### You took your entire network to Phuket last year. Do you all gather annually?

Yes, we need to have that strong communication and connection. The more you talk to franchisees, the less likely problems will become mountains; they all stay molehills.

*Continued over page*

# Franchisor Interview cont

Our annual national conference is critical to brand strength and we continue them while many other companies do not. We took the conference "international" last year to reward our franchisees for outstanding performance in what has been a couple of years of the toughest of retail economic landscapes.

## What are the long-term benefits from large-scale gatherings like this?

Networking is indispensable to any successful business. Inside our ranks we have brilliant people so the conference allows for brain storming from within. For many franchisees this is their only break from the business – so it is vital the coming together refreshes their minds and oxygenates that "purple" blood. Motivation can be fleeting, months after a conference it can wane, so our workshops are about education and information. In a business sense this is much more sustaining and carries forth longevity seen in the bottom line.

## Your marketing team produces a quarterly online news program just for your franchisees. Can you tell us a little bit about why you put Battery World News together?

Today's world is about YouTube – everyone has time to watch something interesting – so our marketing team decided to tap into that. Our franchisees have to read so much from new product information to changing consumer laws, so important material about local store marketing and using tools we have readily available to develop their businesses was falling through the cracks. Adding to that the national conference goes some way to introducing new people to the fold but suddenly we had a showcase to allow franchisees to not only get to know each other better but see what they are doing to get kudos for their store in their state. The natural inclination for one-upmanship was also a motivating factor as the real "doers" set to ensure they made it to the "news" each month. The stores who were lacking in motivation could see how a successful community event would give them publicity in the paper – essentially a "free advertisement" and could tap into ideas from others in the network after watching the news.

This was an effective way to keep "topping-up" the enthusiasm spawned at conference.

**to see a sample of Battery World News**

**CLICK HERE!**



## So that's how you keep your network connected. How do you approach training for new franchisees?

Understanding and working on research that shows new franchisees only retain 10% of information delivered at induction, Battery World delivers a 52 week plan: so something new comes their way every week in a layering and reinforcing approach rather than a one chance to get the information model. Our strategy is to throw everything at them in the beginning then go back and reinforce and reiterate critical procedures, concepts, marketing and information each week. Week by week they are exposed to highlights that become second nature in the way they run their business.

## In your industry, technology must be a huge area of investment. The need for various products changes very rapidly. What do you do to keep your franchisees competitive in a market where you are competing with the original sellers of the products that need those batteries?

Staying ahead of the pack is pivotal to our success. Our agents for our suppliers are in China ensuring we are at the top of waiting list for the next-gen batteries as those new products are coming out. If it were possible we would be on a waiting list for a product while it was still an idea in a developer's head it is that vital we are getting in on things first.

Our suppliers work with our franchisees to ensure good understanding of the new products and at the same time, we organise training for stores so they know what's coming and if needs be how organise a repack (a new battery built in store) of that particular battery, so we can provide it at store level.

That's incredibly important for us. Some of these new products are coming out so quickly the battery manufacturers are 12 – 18 months behind. So being able to build in store is huge for us. It's amazing how fast it's moving.

## Do you work with an RTO or have an internal training facility that works with people on how to run their business?

Our mentor program is constantly developing. We match our new franchisees with an experienced franchisee-mentor they can relate to. This ensures there is not just delivery of information but a solid relationship develops where the "newby" feels comfortable to go to that person if a problem arises. We also turn to an external training company to go out and support the franchisees from customer service all the way through to essentials like efficiently managing BAS and tax. Year after year, we make six of those trips annually in each and every part of the country – which allows us to bullet-proof the brand.

## Battery World is the current holder of the Franchisor Social Responsibility Award. The type of people you are recruiting are community-minded from the outset. What do you do from a head office level to lead by example?

Community engagement is intrinsic to our mission statement and it has to start at the top. On a national level we are committed to Camp Quality from fundraising at our National Conference to charity drives throughout the year.



Battery World ambassadors, Polly and Waz.

**“ Battery World has a stringent assessment for potential franchisees – we take it personally that you join a brand that becomes an extended family. ”**

Our in store recycling initiatives, along with aligning ourselves with environmental groups year by year, allows us to start many conversations with the community. Long before carbon footprint was a catch cry, we took it upon ourselves (and at a personal business cost) to adopt responsible stewardship. Some batteries are not only toxic in landfill but coin cell or button batteries can kill if swallowed. This has become quite an issue with battery packaging and while the ACCC works with manufacturers we have taken it upon ourselves to hand-sticker a warning over the batteries bringing this to the attention of the consumer in store at point of purchase. Most of our franchisees are mums and dads: they have been through weekend sport and fundraising drives so understand giving back to the community through sponsorship is all part and parcel of being a neighbour in the community they live and work in.

**Do you encourage and provide resources for franchisees to get involved with their community in other ways as well?**

Our internal website includes our ICE platform. All stores have access to this, which is home to ideas and information for community engagement: hints and scripts on how to actually talk to community interest groups and get things off the ground.

This has resulted in Battery World sponsoring and supporting Volunteer Coastguards in Queensland, South Australia and WA, donating hundreds of batteries to Rotary and Lions groups to give to elderly and the financially disadvantaged for our annual “change your smoke alarm battery campaign” to sponsoring local foot teams and netball umpires.

Those sorts of relationships have developed out of using resources we’ve provided to franchisees, including training, letter templates, marketing material and anything else they might need. We certainly encourage grass roots involvement. It develops a foundation for the franchisees within their community.

**A lot of brand awareness for Battery World now sits around those recycling bins. Another way Battery World is recognisable in the market is through brand ambassadors, Polly and Waz from The Block. How did you choose these two to represent your brand? How did you measure their success?**

Driving our brand, means trying new things. Our media company suggested brand ambassadors might be the next step

in creating increased excitement around the brand. We affected a 12-month initial campaign using targeted TV advertising and other ideas including in store posters. We did not aim to measure this success through sales, which can be subjective.

We measured it through focus groups, which gave us an insight and understanding that consumers were continuing to “switch on” to the brand and actually understand what we do. Was it purely because of ‘Polly and Waz’? We found as soon as we attached real people and a personality to the brand, it gave it a more emotional feel. Unless you’ve got purple blood in your veins, batteries can be a little “everyday” and not very “sexy”. And while the duo are no longer current household names – as a couple they reflect our next generation consumer – young couples who become families, then retire – all the while buying Battery World products.

**Other than TV advertising and in store appearances, you also used Polly and Waz quite a bit in social media?**

We had them doing the Twitter for quite a while; and jumping in and out of Facebook and all those kind of things for us. Social media is a moveable feast so Polly and Waz were part of our offerings on Facebook and Twitter. Social can’t work in a silo, so the Polly and Waz social interaction was in conjunction with events like store appearances, their engagement and subsequent wedding etc. They were great to work with and very much a part of the brand strategy over the last couple of years.

*Continued over page*

# Franchisor Interview cont



Marketing Manager, Kerry Hannah accepts award on behalf of Battery World at the 2013 NAB Excellence in Franchising Awards.



Battery World conferences are an important part of maintaining brand culture.

## How does Battery World manage social media as a brand? Do franchisees maintain their own individual presence?

No. They don't manage that side of things at all, as it is advertising out of their boundary. They can contribute and advise of events and posts but we manage it from one source with one voice so that it is fair and equitable. This also ensures consistency of the brand and all stores are showcased equally and our key messages remain constant.

## So you look at it as a territory issue?

While it is considered marketing outside of their territory, one Facebook page for the brand gives it a professional look all the while staying topical to the people who enjoy receiving their information from social media. It also allows us to target posts that complement national and store campaigns. Our Battery World news is their forum to showcase their internal activities.

**“ We are ambitious with the aim of running operationally at full capacity of 157 stores in Australia. Somewhere during that time we will have expanded to overseas. ”**



Battery World General Manager, John Pascoe.

## Can your customers shop online?

No.

## Is that a deliberate choice?

Yes and No. With our retail management system we have at this point: we don't have that ability. We have been looking for a good retail management system for quite a while. We have found one; and we are putting it in place at the moment. We will be going online but because Battery World has built a reputation around service the right battery has to do the right job and the fact is sometimes that takes a bit of "nutting out" with someone who deals with batteries every day. The double edge sword of online shopping is "yes it is an expected part of today's retail landscape" – but then "how do we continue to deliver the service online?" In the end we are service based. –

## So they'll always receive Battery World customer service?

Absolutely. We understand your mobile phone could be your home office so if the wrong battery leads to the loss of data and information we have not only lost a customer for life but they will tell their friends. Conversely, we often save the day – because our people are not only good with batteries they are good with gadgets – they are truly problem solvers.

## And it keeps the people moving through the stores...

The consistent grievance with Australian consumers, is there is no service anymore. You could stand on a chair and scream in a department store and still no one will serve you. Battery World franchisees accept they may spend hours with you today and you may not end up buying something but they know you will be back and spread the word. We will be online eventually but for now our footprint is with bricks and mortar and doing what a retailer should – provide a service to customers.

## Where do you see Battery World and Battery World's franchisees in ten years' time?

We are ambitious with the aim of running operationally at full capacity of 157 stores in Australia. Somewhere during that time we will have expanded to overseas markets developing the brand and stores on foreign soil – making an equally strong statement there.

## Any particular country we're talking about here?

Yes. We will be looking close-by; and really taking control strongly. **fr**

## Battery World Quick Facts:

ESTABLISHED 1997

FIRST FRANCHISED 2000

NUMBER OF STORES 80

MULTI-UNIT FRANCHISEES 3

COMPANY STORES 8

COMPANY CHARITY **Camp Quality**

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# Training: more than just job skills

The benefits of training your staff go well beyond just practical workplace skills, as seen by Wendy's franchisee and Franklyn Scholar trainer, Robyn Walsh.

*"The whole purpose of education is to turn mirrors into windows." - Sydney J. Harris*

Are your staff happy to come to work?  
Are they satisfied with their job?

Job satisfaction can come from the most unexpected of places and helping your staff feel confident to perform tasks while feeling appreciated in the workplace is a necessity. This can be achieved through workplace training. Training doesn't only help your staff gain valuable work skills but also improves confidence levels and all-round general happiness.

Through developing a deeper understanding of your business and their role within it, staff feel more empowered and may even feel privileged to use their new skills to become involved in high-level decision making.

Ultimately, workplace training can lead to improved business outcomes, higher customer satisfaction levels, improved staff morale and better retention rates, but beyond that staff gain fundamental life skills – everything from basic financial literacy to 'people skills', which are highly transferable in the real world.

Many state and federal government financial incentives are available for employers whose staff undertake traineeships. These incentives, combined with the more intangible results mean that the benefits of workplace training often outweigh the financial costs.

**"That formal training made her realise that someone was prepared to invest time in her and that in itself has helped her to transform into a valuable team member."**

Franklyn Scholar's ongoing collaboration with FCA member Wendy's is testament to this, with astounding results. Robyn Walsh a franchisee at Wendy's Nambour Plaza (QLD) is also a training consultant at Franklyn Scholar. Below, Robyn provides two powerful examples of the benefits of staff training:

### Trainee to Trainer

"Three years ago a young girl who used to regularly buy a thickshake from me came in one day with her resume. I had always planned to give her a position if the opportunity arose, so when she gave me her CV the decision had already been made. I did not tell her this at the time as I did not know if I had enough hours for her but a couple of days later she came back, concerned that she had no experience, and I told her there and then she was hired. She began to work for me and immediately showed promise. I decided to put her on a traineeship and she eventually obtained her Cert III in Hospitality. Michelle always took her work seriously and the fact that she was completing training made her take the job even more seriously. It gave her a better understanding of what she was doing and why she was doing it.

Robyn Walsh and her team





**“Many state and federal government financial incentives are available for employers whose staff undertake traineeships. These incentives, combined with the more intangible results mean that the benefits of workplace training often outweigh the financial costs.”**

I find with my trainees that it means a lot to them that I believe in them and this was certainly the case with Michelle. Michelle still works for me but is soon to leave to attend University in Brisbane where she has been commuting for the last year. She is now the absolute heartbeat of my business. She trains staff for me, orders and supervises as I am no longer able to work in the business due to an injury. Michelle always achieves 100% when mystery shopped and even won a national competition for designing the new Wendy's t-shirt. There are now at least four franchisees head hunting Michelle as they know she is moving to Brisbane, and they all want to employ her. **Michelle has gone from a shy young girl to a confident young woman who is often mistaken for the owner of the business. I believe this is largely due to the time and effort invested into Michelle as trainee.**

**It is a fantastic platform for life experience.”**

“I also recently trained a young lady who said she had literacy and numeracy problems. When I trained this young lady I would always train with her one on one and spend time with her to ensure that she understood. I soon made her realise that she knew more than she thought she did. This made her confidence in herself grow. Her social skills began to improve and her knowledge of the industry grew at rapid rate also. She was so happy that finally someone had given her a chance and that was all due to the franchisee exercising patience. This young lady still works at the same Wendy's store but also now works at another Wendy's store as well.

**That formal training made her realise that someone was prepared to invest time in her and that in itself has helped her to transform into a valuable team member.**

**She often refers back to what she learnt from her Cert III in Retail and Cert III in Hospitality.**

I have found as a franchisee and a trainer that a large number of the young staff who are not academic really appreciate the opportunity to obtain a Certificate III. They seem to think they are not capable but in actual fact they do not realise just how capable they are. Training opens up more opportunities for them and helps them to learn valuable life skills.”

Staff training is a team effort and will surely strengthen your relationship with your employees. Financial gains from having well trained staff are great but their personal well-being is better. Who knows, your employee could be sitting in your desk one day! **fr**

**“The more that you read,  
the more things you will  
know. The more that  
you learn, the more  
places you'll go.”**

**Dr. Seuss**



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# Franchise sector intelligence relies on you in 2014

## How is the Australian franchise sector fairing in 2014?

The Australian franchise sector made an impressive recovery from the economic downturn, returning to growth in 2012 and making a \$131 billion contribution to the Australian economy.

However, data on the franchise sector in 2014 relies on franchisors participating in the biennial *Franchising Australia* research.

The research, sponsored by the Franchise Council of Australia and conducted by Griffith University's Asia-Pacific Centre for Franchising Excellence, is the only systemic data collected on the Australian franchise sector.

Having been conducted for more than 15 years, led by Centre Director Professor Lorelle Frazer, the profiling research provides a good understanding of the health and size of the franchise sector, as well as growth, challenges, trends and changes over time.

Subway Systems Australia Territory Manager Tracy Steinwand has long supported the research.

She said the research was a valuable resource for the franchise sector.

"The *Franchising Australia* research plays a critical role in our business and the sector overall," Tracy said.

"The latest results are the 'go-to' source for government departments about the state of franchising in Australia and the results are regularly quoted by media and ministers alike.

"For franchisors the information is helpful in identifying trends which touch on their business. It has helped identify opportunities for new franchisee recruitment, and gives insight into the needs of existing franchisees which can help franchisors support them better."

Aussie Pooch Mobile Director, Chris Taylor, is one of the many franchisors who has participated in the research since it launched nearly two decades ago.

Chris said she continued to participate as the research provided an independent overview of the franchise sector.

"The *Franchising Australia* research provides a unique and independent insight into the franchise sector and changes over time," she said.

"It's an invaluable resource for the sector and I would strongly recommend all franchisors take the time to complete the survey."

Professor Frazer said this year would be the ninth time the research has been conducted.

"The *Franchising Australia* research has been conducted every two years since 1998, and we hope to make 2014 the best yet," she said.

"The last few reports in particular have revealed some interesting insights into the health and shape of the sector, particularly in highlighting the strength of the sector during and following the global financial crisis.

"However, without the support of the franchise sector we would not be able to provide this intelligence on the sector as the research is only as strong as the number of responses we receive."

Franchisors of all franchise systems, whether new or mature, small or large are encouraged to participate.

**"It's an invaluable resource for the sector and I would strongly recommend all franchisors take the time to complete the survey."**



The *Franchising Australia 2014* survey will take around 15 minutes to complete. The research is reported anonymously, so participants' privacy is protected.

Plus, all participants can go into the draw to win a Microsoft Surface Pro 2 in appreciation of their time.

The survey will be distributed electronically via email from Professor Lorelle Frazer in the first week of July, with the *Franchising Australia 2014* research results to be released at the FCA National Franchise Convention in October. [f](#)

To view previous *Franchising Australia* research findings visit: [www.franchise.edu.au/home/research/franchise-australia](http://www.franchise.edu.au/home/research/franchise-australia)

Any questions relating to the research can be directed to Lorelle Frazer at [l.frazer@griffith.edu.au](mailto:l.frazer@griffith.edu.au) or 07 3382 1179.

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# WHIRLWIND

# International Franchising



## Is your franchise ready for Chinese Investors?

By David Thomas,  
ACBW Forum Chair

## Insights into how to do business with China

After leading many Australian delegations to China, I have observed some key things that businesses must do to be ready for and engage successfully with the Chinese market opportunity. An unprepared and misinformed expansion into a market such as China, with a complex regulatory system and unique market niches has the potential to threaten your business viability and operations in Australia. Having a Chinese partner can dramatically assist with the intricacies of the market, however partnerships must only be entered after careful due diligence. One thing you will always need to remember: in the Chinese market, you have to show up to win – you must be able and willing to invest the necessary face-time to be successful in China. Unfortunately, there is no shortcut – you must be physically present, there is no “autopilot” for deals or growth in the Chinese Market.

When pitching your franchise and business proposition to Chinese investors, the following five points are crucial as a start.

### 1. Face to face time

In a culture where emails are the dominant form of communication, it is often hard to understand why someone in China will not respond to your email communication. Chinese culture values face to face time, it values calls over emails and the best way to develop successful business relationships is to spend time meeting with your counterparts and sharing food and drinks. The best way to embark on your China strategy is to be on the ground in China. Cold calling or pure business relationships don't work in China, cracks will start appearing once the dust has settled from the initial excitement.

### 2. Make friends first, do deals second

There's a saying in China that you don't talk business “until the third cup of tea!” In other words, you build the relationship first and only then should you focus on the business deal. This can appear tiresome, long-winded and unnecessary, but it's the way business is done in China and you ignore this at your peril. Make the time to get to know your

potential business partners, extend the hand of friendship and tell them about your country, culture and interests. When you've exhausted every possible topic of conversation, and when the timing feels right, offer to start talking business!

### 3. Use a professional translator

When pitching to a Chinese partner, you will need your documents in Chinese. Translating professional documents is not as simple as asking a bilingual member of staff or friend to do it for you. This is a very common mistake. It may get the job done quickly, painlessly and at no cost, but how would you like your business described in Chinese as striving to “succeed when the horse arrives” or your business operations and goals to be misconstrued?

### 4. Take your own interpreter, be part of a delegation

The process of facilitating and interpreting in a business meeting in a cross cultural environment with language barriers is an art as well as a science.



“ These are just five basic rules to consider when starting your engagement with Chinese investors, entrepreneurs, business leaders and Government officials. These small investments will make a world of difference to your reputation as a company. ”



Having your own interpreter who understands your business and objectives in depth will prevent any misunderstandings or cultural insensitivities. For those testing the waters, it is highly recommended to join a delegation on your initial visits to China as this provides a platform and mutual meeting ground for genuine and motivated businesspeople. You will have access to an established and valuable program, assistance in identifying suitable business contacts, allows you to meet, network and communicate with a mixture of experienced and new-to-China Australian delegates also involved in the Chinese market. Australia-China Business Week (ACBW) is among the well-established delegations that delivers a lot of value in the complex China market. ACBW 2014 will take a group of delegates to China's two key economic hubs, Guangzhou and Shanghai, with a combined population in excess of thirty-five million people.

#### 5. Follow Up

When following up with key contacts and new relationships from a meeting or conference, it is important to send your follow up email in Chinese and follow up with a phone call (preferably by a Chinese person). You will need to work hard to develop a strong line of communication with them from a distance (which is why you need to plan to be on the ground in China regularly!).

Professional interpreters spend years perfecting their craft, a process of study, practice and observation. Not only do they need to be highly proficient in both languages, but they also need to learn the method of capturing the meaning, flavour and expression in the language, which is so much more than a simple translation of the actual words.

It is important you plan your next visit – face time is crucial after the first meeting and is vital for long term success.

These are just five basic rules to consider when starting your engagement with Chinese investors, entrepreneurs, business leaders and Government officials. These small investments will make a world of difference to your reputation as a company.

If you're looking at going into China market but still don't know where to start. Here's an opportunity for you to visit China this May with our ACBW 2014 Guangzhou & Shanghai delegation. Presented by NAB and supported by NSW government, Austrade, The Department of Foreign Trade and Economic Cooperation of Guangdong Province, CCPIT Guangdong and SME Association Guangdong and AustCham Shanghai, ACBW China event includes an excellent week of VIP functions, networking, business matching sessions and business showcase. Go with a group of your peers to meet high-net-wealth Chinese delegates and learn from the Australian businesses who have already established their China presence. [fr](#)

**For more info regarding ACBW Guangzhou and Shanghai, please check [abforum.com.au/events/acbw2014china](http://abforum.com.au/events/acbw2014china) or call +61 3 8689 9899.**



## Empower your people and reap the rewards



Jono Britton, Managing Director, Shift8 Pty Ltd



**“Real time reporting can also facilitate some friendly competition in the workplace... If an employer throws in an incentive or reward, this can really boost employee motivation.”**

**As any business owner will tell you, your employees are your best asset. It is the people you employ that are the heartbeat of your brand, and therefore keeping them happy and engaged is critical to the success of any enterprise.**

An empowered workforce is an engaged workforce. The sophisticated HR and management technologies available today have enabled employers to engage staff like never before, resulting in optimum service levels and increased productivity.

In the quick service restaurants (QSR) world, one of the most recent technologies to benefit employees has been the evolution of point-of-sale systems from cumbersome cashier hardware to mobile software, which really does make their lives easier.

Mobile point of sale (POS) systems are becoming more and more prominent within the QSR industry. Online ordering and queue busting are two key benefits of mobile POS, both of which take pressure off employees in-store and allow for an improved customer experience.

Equally, being able to take orders and make payments anywhere on site enables staff to be more productive and efficient during your peak times. As well as benefitting the bottom line, employees will be grateful for the flexibility afforded by the system and less frustrated by repeat visits to a central terminal to input orders and conduct transactions.

Advanced POS technology also means that employers can monitor real time sales data, allowing them to identify the busiest times in the day and ensure they have more staff on to meet the increase in custom. This is an important element of HR in any business as it assures your workforce that you will provide support when its most needed, demonstrating your commitment to helping your team and not expecting them to just 'deal with' the extra pressure put on them.

Real time reporting can also facilitate some friendly competition in the workplace. If staff can see their sales as they happen, they are more aware than ever of their contribution to both their individual and overall business KPIs. If an employer throws in an incentive or reward, this can really boost employee motivation.

In addition to the benefits in the workplace, mobile-enabled POS and business management technology allows employees to remain connected with the business when they aren't even there. Instant access to staff rosters and HR information mean staff can tune in to see what's happening at work while they're at home.

While some may view this as a negative, the truth is that by doing so, employees become more invested in the business and the part they play within it, leading to greater productivity and efficiency.

Ultimately, through a tailored POS and business management suite you can build a strong culture of service and sales among your team. Not only will this help the day-to-day running of your business and provide you with key analytics, it will also boost employee engagement, productivity and staff retention. Your staff and your stakeholders will thank you for it. **fr**

## Buzzing Sydney show sets the scene for Franchising Expos in Brisbane and Melbourne



Exhibition Manager Fiona Stacey

Vibrant and busy' were the two words Exhibition Manager Fiona Stacey used to describe the Sydney Franchising & Business Opportunities Expo, held this month at Sydney's Moore Park.

As *Franchise Review* goes to print, Stacey and her team are putting the finishing touches to the Expo, which is set to be one of the best yet, with contingents from around the world exhibiting for the first time.

The Malaysian Government has brought 14 companies to Sydney, while other international companies seeking Australian investors include New Zealand's Dream Doors; Fibrenew and The Walnut Group from Canada; and Crestcom International, On the Avenue Marketing, Tutor Doctor and Planet Beach from the USA.

"This really brings the Sydney show onto the world stage," says Exhibition Manager Fiona Stacey. "I can't think of a better endorsement for the Franchising Expo than the fact that international companies are eager to be involved."

The Franchising & Business Opportunities Expo is held annually in Sydney, Brisbane and Melbourne. Along with the wide range of franchise companies represented, there will also be seminars, workshops and an abundance of business and franchising experts.

"The sheer variety of visitors and exhibitors in attendance at the 2013 Expos proved there is no better way for franchisors to engage with prospective franchisees in a vibrant, face to face environment," says Kym De Britt, General Manager of the Franchise Council of Australia.

"The FCA proudly endorses these events and works closely with the organiser to ensure our members are part of a high quality show."

Mr De Britt adds that one of the fundamental ingredients for success for both franchisors and franchisees is "brand passion and cultural fit", which is why the two parties being able to speak face to face is incredibly valuable.

The next Franchising and Business Opportunities Expos is being held in Brisbane 19-20 July, followed by Melbourne 22-24 August. Fiona Stacey says each show will feature local, national and international enterprises, and adds that the Expo will again be promoted on television in each city.

"We found the TV advertising strategy assisted in creating awareness and a real buzz for the show last year, and we think the appeal of franchising just keeps growing stronger," she says.

"Don't miss this chance to start, grow or expand your business. There are still stands available in Brisbane and Melbourne and we are always happy to discuss with exhibitors their options for exhibiting at any of the shows." [fr](#)

**"I can't think of a better endorsement for the Franchising Expo than the fact that international companies are eager to be involved."**

*The Franchising Business & Opportunities Expo is a must for anyone who is a part of, or who wishes to join, Australia's vibrant and profitable franchising industry.*



### UPCOMING SHOW DATES ARE:

**BRISBANE 19-20 JULY**

**Brisbane Convention & Exhibition Centre**

**MELBOURNE 22-24 AUGUST**

**Melbourne Exhibition Centre**

**For information about participating in the 2014 Franchising & Business Opportunities Expo contact Fiona Stacey on 03 9999 5464 or email [Fiona@specialisedevents.com.au](mailto:Fiona@specialisedevents.com.au) or [www.franchisingexpo.com.au](http://www.franchisingexpo.com.au)**

# Franchise Systems and Employee Entitlements

## Self-Audits of Employee Entitlements - what are the benefits?

Since McDonald's Australia agreed to undertake a self-audit of its workplace wages and entitlements compliance, a number of other franchise systems have followed suit, including Red Rooster, Bread Top and Domino's. The Fair Work Ombudsman (the body responsible for enforcement of employee entitlements) introduced a program in 2012 providing an opportunity for franchisors to co-operate with it in conducting self-audits. As part of the package, the Fair Work Ombudsman offered the franchisors free advice on promoting compliance with workplace laws both within their own companies and their network of franchisees. Bread Top has been the most recent to sign up to the self-audits after the Fair Work Ombudsman received a small number of enquiries from its employees about wages and entitlements.

One of the aims of the self-audit is to identify systemic underpayments by monitoring a cross section of employees on an on-going basis, with a particular focus on hourly rates, loadings, allowances and penalties.

It allows a business to identify underpayments and take corrective action as soon as possible. The good news is that the audits have generally identified good or high levels of compliance. However, in some cases, the self-audits undertaken have identified a range of non-compliance issues. At least in part, the non-compliance issues can be explained by the typically high administrative burden of managing a range of penalty rates and loadings, which get triggered at different times and days, for large numbers of employees. However, the self-audits have highlighted that compliance with employee entitlements remain a significant issue in the franchise industry.

The advantage of the self-audits is that these issues and any back payments can be rectified before any non-compliance is escalated to a prosecution.

Franchises that undertake these voluntary self-audits with the Fair Work Ombudsman are more likely to be seen favourably by the Ombudsman. For these reasons, franchisors can proactively take steps to assess how well franchise operations are complying with employee entitlements obligations.

**“It (self auditing) can be an effective risk management tool that significantly reduces the risk of prosecution and identifies particular issues before they become significant.”**

It can be an effective risk management tool that significantly reduces the risk of prosecution and identifies particular issues before they become significant. This is especially important in a franchise system where, regardless of the fact that the franchisor and its franchisees are independent legal entities, non-compliance by one entity in the system can adversely affect the brand and therefore the entire network.

Franchisors are also able to access a significant amount of information including self-audit and other checklists on the Fair Work Ombudsman site, which includes information dedicated to franchises ([www.fairwork.gov.au/franchising](http://www.fairwork.gov.au/franchising)).







### Relying on head office advice not enough

While franchisors can help franchisees comply with their obligations, a recent case shows that franchisees who rely on franchisor advice won't avoid prosecution and penalties if they breach their employment law obligations.

Recently a franchisee was fined more than \$45,000 by the Federal Circuit Court after it had underpaid its workers over more than a four-year period. The total underpayment to employees was in excess of \$100,000 due to failing to classify and apply pay rate gradings appropriately.

**“This case highlights that franchisors and franchisees need to take individual responsibility to pay employees their correct entitlements.”**

The Federal Magistrate noted that the franchisee complied with the operating systems and relied on its head office to provide support and guidance on wage updates, price increases and industry information. However the fact that they relied on that advice did not reduce the penalty. The franchisee was however able to avoid the maximum penalty of \$231,000 that could have been applied for breaches of this kind because it had no prior convictions for similar conduct, it had undertaken voluntarily to rectify all of the underpayments and had engaged specialist advisors to rectify the issues.

This case highlights that franchisors and franchisees need to take individual responsibility to pay employees their correct entitlements. The courts have sent a message that correct entitlements for employees must be paid, and that employers of all sizes must take appropriate steps to ascertain and comply with those minimum entitlements. [fr](#)



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# Excellence in Franchising Awards

## FCA Excellence in Franchising Awards are open



FRANCHISE COUNCIL OF AUSTRALIA

This year's FCA Excellence in Franchising Awards are open. This is your opportunity to recognise your franchisees and head office staff - and give them the chance to vie for the national title.



2013 Emerging Franchisor of the Year, Plus Fitness



2013 Franchise Innovation winners, Bartercard International

The regional categories will be open until **Friday 11 April**, with submissions due on **Monday 28 April**.

The national categories will open **Tuesday 1 April** and close **Tuesday 13 May**, with submissions due **Monday 26 May**.

### Improvements to this year's awards

At the end of 2013 FCA engaged a specialist awards company to review the Excellence in Franchising Awards program, processes and criteria. This was undertaken to ensure continued recognition of the best franchisees and franchise professionals in Australia in a fair and transparent manner. This extensive review reflected feedback from entrants, winners and judges, as well as external experts.

Categories will remain unchanged, with updates and improvements including:

- Entries will now be completed online
- Criteria has been consolidated to reduce time to enter
- Information being assessed has been streamlined to ensure fairness as the franchise landscape changes
- All categories are constructed to be a personal and business analysis
- Entrant feedback will be enhanced

**ENTER NOW**

**For more information on the awards, please call 1300 88 22 59**



2013 Established Franchisor of the Year and Excellence in Marketing Winners, Specsavers

**“The award criteria were focused on systems and franchise leadership as well depth of support levels for franchisees, so to win this is also a great testament to how well we work with our partners.”**



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FRANCHISE COUNCIL OF AUSTRALIA

# AON



## Excellence in Franchising Awards



Steve Jones, National Sales and Marketing,  
Snap-on Tools

# When you don't win, but you still do

Snap-on Tools Australia and New Zealand has chosen to take part in the Franchise Council of Australia awards on a consistent basis since 2007 – always entering the Established Franchisor of the Year category, seeking to demonstrate the power of the global franchise network presence in Australia.

Over that time the business has regularly been shortlisted as a finalist, and mentioned in the speeches and was once acknowledged with a specific merit award. But Snap-on Tools has not yet taken out the top prize.

Committing to complete the award submission on a yearly basis is no mean feat – regularly taking a team of people within and outside the business upwards of several weeks to compile and draft the content.

This means pulling staff away from their important work to invest in reviewing their successes over the past year, and ferretting out information from across the organisation. It involves everyone from the Managing Director and senior decision-makers across to individual franchisees and even their customers.

Compiling the award submission is not taken lightly, because Snap-on Tools has over 20 years experience in Australia and 90 years of business knowledge internationally. As a business Snap-on has already proven its merits to thousands of franchisees by ensuring their financial security, giving their families economic control and work-life balance around the globe. The business knows how to operate successfully over time, and does not count merit awards in terms of years, rather in terms of decades.

There has been a very different set of reasons as to why the business has been consistently putting itself forward for consideration for the yearly award.

Simply put, Snap-on Tools has been using the FCA awards submission program as a yardstick to measure itself against internally. Each section of the submission – from the Marketing to the Support for Franchisees – has been given due regard. A hard set of questions asked about what might have changed since last year.

Although the FCA Awards submission is not the only tool the business uses to measure its success, the regularity of completing the submission has become part of a repeated internal review process. The process has helped to articulate business needs and has helped lead to changes in the way Snap-on operates.







**“ Simply put, Snap-on Tools has been using the FCA awards submission program as a yardstick to measure itself against internally. ”**

Several years ago, the completion of the award submission did contribute to a discussion that communication between franchisor and franchisee could be improved. Responding to that need, Snap-on Tools has since invested in the development of stronger communication tools including regular electronic newsletters to advise the networks of immediate business news, alongside the development of print publications for franchisees that help to continually reiterate the business’ brand values.

In 2013, the business in part used the FCA Awards submission as a chance to review their internationally recognised training offering, and has further expanded and strengthened the support for franchisees that have newly hit the road.

Certainly the awards process did serve an important purpose in kick-starting conversations. Those conversations went on to help elements of the Snap-on Tools Australia and New Zealand business to change, grow and develop. [fr](#)

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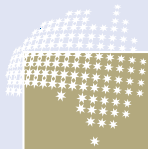
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# How to be an award-winning franchise

Award wins deliver credibility, it's that simple. They also boost the profile of a franchise and its team, as well as attracting new customers. And they're a sure-fire way of propelling a business head-and-shoulders above its competitors.

Every business should be entering awards – no matter if they've been in business for two years or 12 years.

I started my business – The Remarkables Group – on the 16th May 2012, and scooped my first award two months later. Since then, we have been very fortunate to win four awards – Emerging Agency of the Year, Australian Start-up of the Year, Women in Media and 30 under 30. We've also been finalists for another two and were nominated for Telstra Business of the Year this year.

I've also been honoured to judge a number of industry awards over the last year or so, so I've seen the other side of awards now – the great, the average and the downright “you call this an entry?” ones.

Based on my experience on both sides of the fence, here is my tried and tested system to becoming an award-winning franchise:

### 1. Research relevant awards

You need to be actively searching out awards opportunities – if you wait for them to come to you, you'll be waiting a hell of a long time. At the start of every year, start an awards calendar so you know what's coming up when – and add to it as you find new awards to enter. Ask your friends and industry contacts to share any that they find, and return the favour.

### 2. Enter them

Sounds simple doesn't it? I never fail to be amazed at the reasons businesses find to not enter awards. “There's too much work on for me to write the entry” is a frequent one. But sadly the most common one by far is this: “We don't have a chance of winning”. People allow this belief to prevent them from entering and at least having a shot at being shortlisted (a coup in itself) or taking out the main prize.

### 3. Diarise time to work on the entry

Awards entries can be time consuming, but don't let that deter you from entering. Get started early. Most awards allow four to six weeks for their entry period. Diarise the deadline and spend some time upfront reading the entry requirements and making a list of all the information, references and financial data you'll need. Then block out time each week to work on the entry.

### 4. Answer the questions asked

If the entry requires you to prepare a presentation or document, structure it in line with the sections in the requirements – e.g: a section for financial performance, another for culture. Treat each section like an English comprehension exam at school – answer the question asked with specific information and back it up with examples.

### 5. Tout your own horn

This is not the time to be modest. You have one chance to wow the judges, so you must give it your very best shot.



Lorraine Murphy, founder, The Remarkables Group

### 6. Leverage the win

So you've won the award, or been a finalist – congratulations! Include the award logo on your email signature, your website, send out an email to all your clients letting them know (and thanking them for making it possible) and make sure you refer to the business as being “award-winning” in all marketing and POS materials. Feels good doesn't it? [fr](#)

Lorraine Murphy is Founder of The Remarkables Group, Australia's first talent agency for bloggers. [www.themarkablesgroup.com.au](http://www.themarkablesgroup.com.au)

A version of this article was previously published on [www.smartcompany.com.au](http://www.smartcompany.com.au)

# Technology and Social Change: A Brief History



Raffael Fernandes, Publisher – Franchising Group, Cirrus Media Australia

Something that's always fascinated me is how we as people communicate and interact with each other, and as a consequence, the relationship between social change and technology.

Since the dawn of evolution, humans have been using various tools and gizmos to communicate with each other both in local communities and over vast distances.

From early cave paintings to carrier pigeons, from the printing press to Pinterest, and from telegrams to tweets, as a species our communication boundaries have been pushed, pulled and poked in various ways by new inventions.

Interestingly, the way in which we interact and communicate with each other over time has also largely been shaped by scientific advancement.

For both the club-wielding caveman and the smart phone-tethered generation of today, technology and our adaptation to it has played a vital role in driving new social behaviours, etiquettes and values.

Or has it?

Another way of looking at it is that social behaviours and values are evolving naturally as neural structures in our brains over hundreds of thousands of years – all part of the Darwinian master-plan (after all, we're pretty intelligent creatures) and, as a result, new technologies are created by us to satisfy our new social demands.

I guess it's a bit of a chicken and egg scenario. Is technology driving social change, or vice versa?

I'm certainly not an expert on such philosophical matters, nor am I sure what the right answer is, or if indeed there is one. But it's tasty food for thought nonetheless.

All of this got me thinking about how the fragmented, noisy and cluttered media landscape of today came to be – and it raised a question in my mind:

As humans, has technology taken us further away from our primitive social communication values...or closer to them?

Up until the start of the 20th century, 98% of humanity was still living in rural villages and towns, tight-knit communities who stuck together, fought together, and traded with each other.

Most business was conducted via face-to-face interaction on the basis of relationships, trust and mutual benefit.

Then the industrial revolution happened – and it drove farmers by their millions into factories and ready made homes. New cities were being built in the pursuit of automation and economic growth.

City life was very different to life in the village. Factories were filled with strangers from many regions and, with the daily grind, slowly we started to interact very differently to before.

No longer would we sit around the campfire with our neighbours telling stories. We became more cut off from the millions of other workers who occupied our space. Yet, the bright lights of the cities had many other new delights and vices to keep the workforce occupied.

Along with this new age of industrial commerce came the age of broadcast media – corporations pushing products to the anonymous masses. TV, radio and magazines became the new source of public opinion, not only creating new norms in social etiquette but changing consumer behaviour too.



Much of the 20th century was defined by this mass market approach. But in the university labs of Europe and the US something groundbreaking was starting to emerge.

Whilst the invention of the internet can be traced back to pilot projects in the 1960's, it wasn't really until the early 90's that the internet started to go mainstream. Although they weren't first to market, when an internet start-up named Google launched in 1998 (has it really only been that long? If you don't believe me, Google it!) the world started to transform once again in terms of the manner in which humanity interacted. It's astonishing to think that so many of our behaviours, social norms, commercial activities and opinions are based on Google's view of the world.

With many people now spending more time on social media than watching TV, some of the old world values have come back round again – driven by advances in digital technology.

Millions of online communities exist, "villages" of the digital age, allowing like-minded peers to share opinions, knowledge and trade.

**“ Would you walk into a business conference unannounced, start pitching your product and ask people to buy it on the spot? If the answer is no, then why do companies still do this online? ”**


It's no surprise that online peer reviews are increasingly shaping consumer buying behaviour again, in comparison to the mass market broadcast approach where ad technology didn't allow for a two or even three-way conversation. Is online life starting to reflect life in the village all those years ago?

Clever brands are embracing our traditional social values, using new digital technologies and storytelling to start conversations, build relationships, trust, and listen to their customers in real time.

Lead generation has changed dramatically in the last five years – even in the last five months with the new Google Hummingbird algorithm update. The way companies engage people online should reflect how we engage offline.

Would you walk into a business conference unannounced, start pitching your product and ask people to buy it on the spot? If the answer is no, then why do companies still do this online? After all, the people viewing that content online are still, well... people.

In a way, maybe not that much has really changed after all. We still love connecting with each other, we still want to make our lives easier, better and more secure, and we still yearn to meet others who like what we like and talk about those things.

I guess we are just creatures of habit, albeit with much shinier communication tools! 

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