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FranchiseReview

Official Journal of the Franchise Council of Australia

NFC12- Hit keynote speakers and renowned franchisors

NFC12 - Connections that count

INSIDE

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we're passionate about your business

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FranchiseReview

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Franchise Business

inside

FCA
FRANCHISE COUNCIL OF AUSTRALIA

Franchising rises to the

FCA Chairman, Stephen Giles

The Franchise Council of Australia Annual Convention held recently in Canberra showcased the expertise within the franchise sector, with many of the most popular presenters being FCA members. The event lived up to the *Intelligent Connections* promise on a number of levels. One of the features of the keynote address on leadership by former Prime Minister, John Howard, was the obvious connection and respect he retains for our sector. Christine Corbett then gave us an insight into the future direction of Australia Post, and touched on the challenges facing Australia's largest franchise network as a result of technology and e-commerce. They were followed by a who's who of senior franchising executives and expert advisors in probably the most impressive conference program for many years. Over 120 franchise systems were represented at the convention.

At a political level we refreshed our federal legislative connections, with around 40 CEOs participating in a private meeting with several of our leading politicians at Parliament House.

Our *Franconnect* program of mapping the connections between our sector and the various electorates is important, and was discussed during our CEO franchising industry forum that preceded our political meetings.

We must harness the intelligent connections of all those within our sector to support the representative efforts of our executive team, and better enable us to defend ourselves from further unnecessary regulatory threats and increasingly sophisticated lobbying efforts by those with agendas contrary to the best interests of our sector.

It is important that we continually emphasise the magnificent contribution the franchise sector makes to the Australian economy. It is not well enough known that the Franchise Council of Australia represents more successful small businesses than any other organisation. Franchising remains almost the only format that enables small business to compete effectively with large corporations. Too often our light is hidden under a bushel.

The facts about franchising merit constant repetition:

- Over $130 billion in annual turnover
- 1,100 franchise systems
- 70,000 franchised businesses
- Employing over 600,000 Australians

Even in the difficult recent economic conditions the recent PricewaterhouseCoopers survey confirmed that the franchise sector again outperformed the general economy. Franchisor growth and franchisee profitability had improved. So despite the doom and gloom in the media we have seen positive performance in our leading franchise companies.

In my opening address at the convention, I reflected that it had been a challenging year for the FCA. I noted that whilst we are used to franchising not getting as much credit as it deserves, it was disappointing that we have had to endure attacks on the credibility of franchising from some state parliamentarians and a handful of individuals with personal agendas.

We have responded well to those attacks, countering rhetoric with fact and promoting the positive franchising stories through initiatives such as our Franchisee Success Club.

In my last address before handing over to incoming FCA Chairman, Michael Paul, I asked our assembled franchise leaders to consider three things that I feel will be important if the franchise sector is to continue to prosper and lead the Australian small business sector:

- We must never say, nor let our franchisee say, that these are tough times. They are not tough times. They are simply challenging times. And our job is to meet the challenge.
- There is nothing as inspiring as a positive attitude. As a franchise leader, the most critical element of leadership is having a positive approach.
- Finally, a reminder from Amazon.com founder, Jeff Bozos, who said when asked about the key to successful strategy:

"In some cases, things are inevitable. The hard part is that you don't know how long it might take, but you know it will happen if you're patient enough. eBooks had to happen. Infrastructure web services had to happen. So you can do these things with conviction if you are long-term-oriented and patient."

"Franchising remains almost the only format that enables small business to compete effectively with large corporations. Too often our light is hidden under a bushel."

challenge

> **"I believe I have handed over the chairmanship of the FCA to a fine candidate in Michael Paul, whose skill and experience in establishing and building one of Australia's leading franchise systems will help the FCA to continue to grow and develop."**

So in your business, figure out what is inevitable, act with conviction, and be patient.

Success does not always come to the brightest or fastest to act, but it always comes to those that adapt and persevere. I believe I have handed over the chairmanship of the FCA to a fine candidate in Michael Paul, whose skill and experience in establishing and building one of Australia's leading franchise systems will help the FCA to continue to grow and develop.

I am pleased to be able to continue to assist Michael as one of his deputies, with a continued focus on the representation area. I have enjoyed my most recent stint as FCA Chairman, and am looking forward to continuing to assist the franchise sector to grow and develop. fr

No need for boom and bust; just the good solid stuff

FCA Executive Director, Steve Wright


Steve Wright

A lot of economic commentary in recent months has addressed the question of whether Australia's mining boom is over. Of similar importance in retail and service industries is the question, 'is the franchising boom over?'.

The answer is emphatically 'No!' – and there are some very positive trends to reassure us about 2013 and the years immediately ahead.

We may argue about the definition of boom. But we don't really want booms anyway. A boom is typically followed by a bust. The most highly desired economic conditions are sustained solid growth – and that is what we continue to enjoy in franchising.

As a snapshot example, take a look at the franchising headlines in the first week of November (time of writing this column):

One of the nation's biggest franchise businesses, Retail Food Group (RFG), has just announced the acquisition of another brand to add to its portfolio, the NZ-based 'The Coffee Guy'. (This is the third coffee system acquisition by RFG in New Zealand in the past 16 months, the others being Esquires and the Evolution Coffee Group.

"Indeed, the mood across the leaders in our sector remains bullish. They are certainly not standing back contemplating global economic gloom, they are grabbing opportunity when others shirk from it."

In the same period, RFG also bought strong Australian brands Pizza Capers and Crust.)

In other growth news, international success story, Boost Juice, opened its 200th store, and gymnasium and 24-hour fitness operator, Plus Fitness, opened two new Sydney gyms, to expand its group to 70 franchises. Remember, these are just the stories from the first week of November, and they are in segments where there is strong competition from franchised and non-franchised brands. Dominos has had extraordinary growth in the past 18 months and Pizza Hut is again revving its engines, having had a long period of low growth.

Whatever the anti-franchising naysayers are whining about market saturation, they are certainly not paying any attention at the dynamic franchise brands mentioned above.

Indeed, the mood across the leaders in our sector remains bullish. They are certainly not standing back contemplating global economic gloom, they are grabbing opportunity when others shirk from it. At the FCA national convention in Canberra last month, Griffith University described the $2 billion expansion of the sector over the past two years, to a total turnover of $130 billion – a major chunk of the nation's gross domestic product.

The Griffith report highlighted improved profitability and optimism and sustained low levels of dispute, at the historical level of just one per cent.

PricewaterhouseCoopers also reported fantastic growth in franchising. For the fourth year running, PwC found the top 200 brands returning revenue growth of more than 11 per cent year on year.

This outstanding result is more notable as the survey commenced at the time of the onset of the Global Financial Crisis, in the third quarter of 2008. To have had such consistent growth in a period of such global economic uncertainty is remarkable.

The Griffith survey measures many different aspects of business performance and draws from across the entire spectrum of the sector. As a result, it noted that many franchisors and franchisees were adopting a cautious 'wait and see' approach regarding investment and expansion. Many were focussing on improving profitability and reducing debt, rather than growing. That is a reasonable approach, and armchair critics should respect it.

However, as a detached but passionate observer, I was very pleased to see what PwC had to say about the expectations of the franchising leaders going into 2013 (see page 8). In short, they predicted more of the same - continuing year-on-year revenue growth of 10 per cent +, on sustained profitability.

As a measure of the current and immediate future health of the sector, it was very reassuring, especially as similar predictions at the same time each year for the past three years had been borne out.

> ***"...they predicted more of the same - continuing year-on-year revenue growth of 10 per cent +, on sustained profitability."***

And for me, a very exciting finding of the PwC survey was a surge in growth expectation in service systems.

That is likely to play out statistically next year and in the years ahead, particularly in a tight credit market, where the lower entry prices in many service brands can be attractive to new franchisees.

And the likely ongoing retrenchments in manufacturing should provide an increasing pool of potential new franchise owners for those service brands.

2013 is going to be an interesting year, and a potentially rewarding one for the determined entrepreneurs in our dynamic sector. fr

Goodbye and good luck for 2013 and beyond...

This is my last column for FCA. I have decided that after five intense years, it is time to move on.

My thanks to the team at FCA, who have earned the praise of the Board for being the best team ever assembled at FCA national office.

My thanks also to the volunteers around the country, especially those in WA, SA and Queensland, who have done so much to protect franchising and preserve the national regulatory environment in the past several years.

In that regard, the national franchising community owes a debt of gratitude to Stephen Giles, Derek Sutherland, Mike Stringer, Steve Hansen and Mark Langford. There are many others I could name, but these individuals have been exceptional in the time and effort they have contributed solely for the benefit of the sector.

FCA has achieved a lot in recent years. In testing times, we have made significant strides in representation and education (our two primary areas of focus) and there are a number of initiatives underway which I expect will drive significant benefit for FCA members in the near and longer term.

Nonetheless, there are more challenges ahead, and ongoing diligence at the state and national political level is essential (see memo to MPs, regulators and all others on pages 12-13).

I have made many new (and passionate!) friends and acquaintances in my time at FCA. To all of you, my best wishes for 2013 and beyond.

Franchise sector outgrowing and outperforming traditional small business

Greg Hodson

Franchisor's optimism for the future doesn't come from a reading of the tea leaves, a deal of the tarot pack or a vision in the crystal ball. It comes from cold, hard facts that show for the fourth consecutive year the franchise sector has outperformed the broader market.

According to PwC's latest Franchise Sector Indicator, despite the challenging economic conditions, franchisors achieved double digit revenue and profit growth of 10 per cent in the past 12 months.

The annual survey of owners and executives from 101 franchise systems with 20 or more individual units, found that non-retail franchisors such as home and personal services, mortgage brokers and business-to-business franchises outperformed the retail sector with a higher than average revenue growth rate of 14 per cent over the last 12 months.

The growth in non-retail reflects the quickened pace of everyday life, and those services such as cleaning and gardening that were once 'nice to haves' have now become 'must haves'. It's also a reflection of our ageing population, Gen Y's increasingly disposable income, greater awareness of health and fitness, and the power of online.

In the future world, we predict the growth franchises will be those which provide healthy food direct to homes, aged care services, services for older people, child care, fitness and health, telecommunications and IT solutions.

On the flipside, you may expect to see a slowdown in franchises that provide services for commodities that, due to greater affordability, are viewed more as "replace" than "repair" items. For car repairers, this is a challenge many are already facing.

> **"...despite the challenging economic conditions, franchisors achieved double digit revenue and profit growth of 10 per cent in the past 12 months."**

Franchising holding strong in tough times

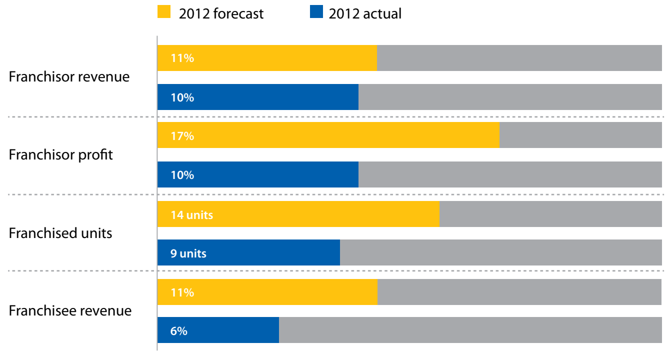


Figure 1: Forecast versus actual growth over the last 12 months

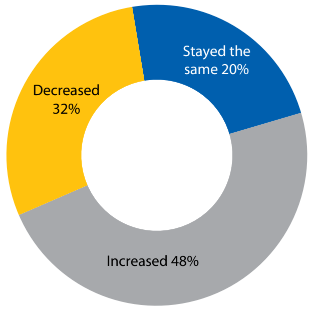


Figure 2: Movement in customer enquiry or count rate

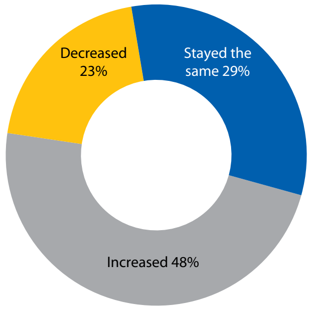


Figure 3: Movement in spend per customer

The rise of the internet savvy consumer constrained by time and dollars has seen retailers face the greatest competition arguably in retail history. However, despite the challenges, retail franchises achieved an average of nine per cent revenue growth in the last 12 months. This result is proof that the fundamentals of franchising often produce better results than non-franchised models.

With both the retail and non-retail sectors having performed well, we look to the future. According to PwC's Franchise Sector Indicator, franchisors are predicting 11 per cent growth in the next 12 months and 34 per cent in the next three years. Profit is tipped to be a little higher, at 15 per cent in the next 12 months and 45 per cent over the next three years.

On top of fiscal growth, franchisors are planning to add an additional 10 franchise units to their business in the next 12 months and 31 over the next three years.

Having a clear strategic direction and continuing to improve franchisee performance will be critical if franchisors want to achieve their future growth targets. A business strategy is often a document that is created then gathers dust, when really it should be a living, breathing plan that is continually reviewed and refined. There's also no point in defining strategy without the resources and commitment to implement the strategies that have been set out.

> **"Having a clear strategic direction and continuing to improve franchisee performance will be critical if franchisors want to achieve their future growth targets."**

Tapping into technology will also unlock the future for many franchisors. At present, only 14 per cent of franchisors surveyed in PwC's Franchise Sector Indicator saw technology as a key driver of growth.

Continued over page

Experience tells us that technology is an untapped area for potential future growth and improving franchise network performance.

More and more it will be the franchisors that embrace technology and use it to meet customer demand and foster engagement of their franchisees that will thrive.

The future will not be without its challenges and according to just over two thirds of respondents in PwC's Franchise Sector Indicator, the biggest one in the short term continues to be finding suitable franchisees.

Not one to back down from a challenge, the franchise sector continues to grow its networks at a significant rate. Franchisors are offering prospective franchisees attractive packages, which in some cases include assistance with up-front funding, to attract suitable franchisees.

Contrary to expectations, customers have also continued to support franchises and there is no reason this won't continue into the future. Two thirds of franchisors surveyed in PwC's Franchise Sector Indicator experienced an increase or maintenance of customer levels. Similarly, three quarters also said spend per customer had increased or stayed the same in the past 12 months.

These results demonstrate the ability of franchisees to market their business, offer high quality customer service and up sell in tougher conditions. They are also clearly creating a loyal customer base that keep coming back. Improved data collection that provides strong insight into customer's needs and greater communication has enabled the franchise sector to provide a product and service offering that customers want.

It's obvious that whoever said predicting the future was an art not a science was not a franchisor. fr

Greg is the leader of PwC's Franchising practice. He has been a partner for 21 years, over which time he has been focused on advising privately owned businesses that are in a growth phase. He has a broad range of business advisory experience across a range of industries and has advised some of Australia's largest franchisors.

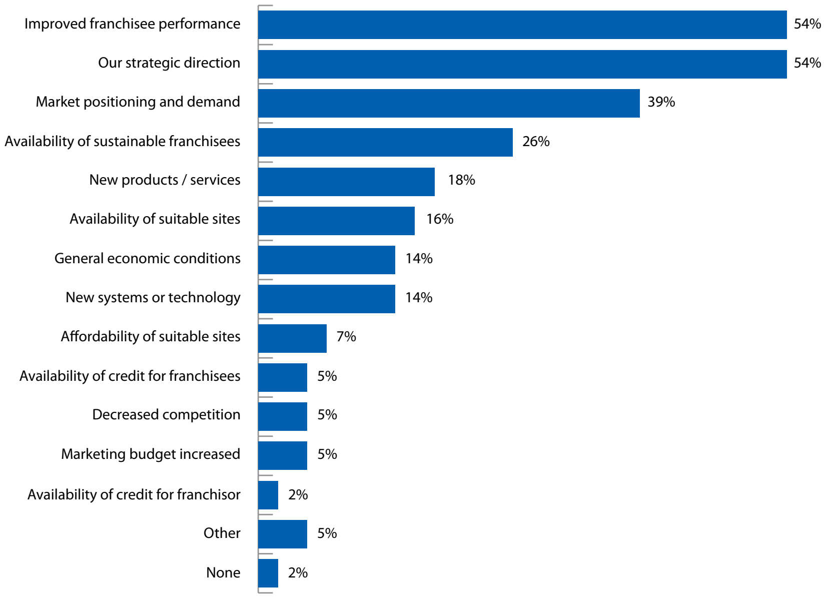


Figure 4: Key reasons for achieving growth

Base: Franchisor revenue increased (n=57)
Percentages sum to more than 100% due to multiple answers from some respondents

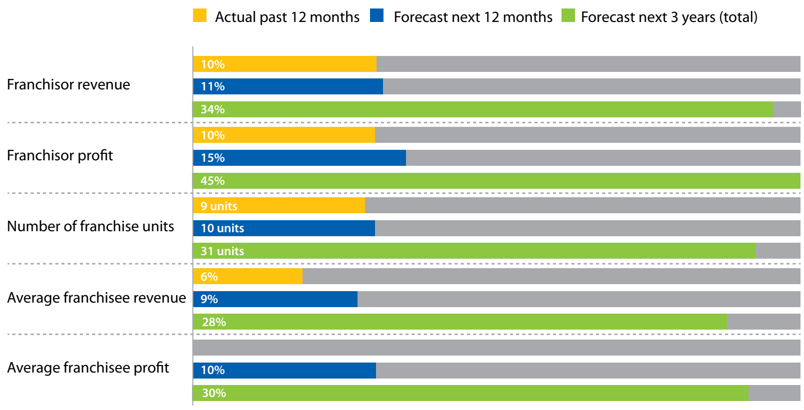


Figure 5: Actual and forecast growth levels

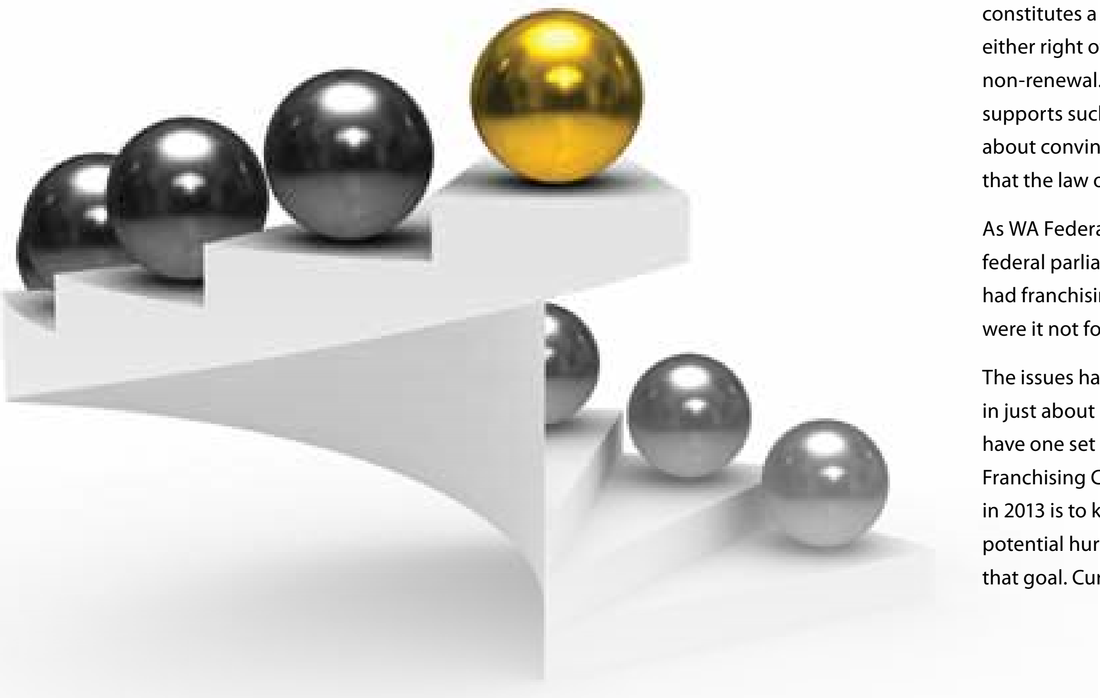
The year ahead: TOP 500 continue to lead the way

Memo MPs, regulators... and all others who would have us believe franchising is in need of overhaul:

Please take note of the BRW Top 500 list of Australian private companies. Leaving aside superannuation and professional services, one category stands out: franchising companies.

Yes, there are many superannuation, law and accounting firms in the top 500, but running through the list, it is difficult to spot any other single category which resonates in the way the franchising brands do.

Household names like 7 Eleven, Bakers Delight, Competitive Foods (stakes in KFC, Dominos and other businesses), Clark Rubber, QSRH (Red Rooster, Chicken Treat), V.I.P., Aussie Farmers Direct, GJ Gardiner Homes, Ray White, Forty Winks, Bob Jane, Hairhouse Warehouse, Gloria Jean's, The Coffee Club, Quest, Fernwood, Just Cuts, Jani King and Howard's Storage World appear.



And this privately held list Top 500 of course excludes great ASX listed brands such as McDonalds, Retail Food Group, FoodCo, Caltex, Mortgage Choice, Aussie Home Loans, Dominos, Harvey Norman, Flight Centre, Athlete's Foot, Collins Food (KFC) and others.

For the past four years since the Global Financial Crisis, these brands have been growing turnover at 11 per cent + year-on-year, and delivering great returns to their investors/owners, including franchisees. Complaints to the ACCC have dropped, and the level of disputes between franchisors and franchisees has remained steady at one per cent, despite a significant increase in the level of negative commentary in the media and from some academics and politicians.

Franchise businesses have weathered the GFC storm, at a time when non-franchise businesses were going broke or ceasing operations at almost 1000 per month.

Against this background of resilience and success, why would any legislator or regulator want to try to get in the way? Why would they want to meddle with the legislative/regulatory settings? The answers to these questions are no different now to when it started five years ago, and was identified in federal parliament two and a half years later: A major dispute between two of the biggest franchise operators in Australia – Competitive Foods (mentioned above in the Top 500 private companies) and Yum! Brands.

That dispute remains unresolved. At its centre are the issues of residual entitlement at the end of a franchise agreement, and what constitutes 'good faith' behavior in franchise agreements.

Competitive Foods owner, Jack Cowin, has raised these issues in the context of his 50-odd KFC stores in WA, which Yum! Brands does not intend to renew when their 30-year licences expire (as Yum! advised Competitive Foods seven years ago).

Mr Cowin contends that the non-renewal constitutes a breach of 'good faith' and wants either right of renewal or compensation for non-renewal. No state or federal law currently supports such rights. So Mr Cowin has set about convincing state and federal legislators that the law ought to be changed.

As WA Federal (Liberal) MP, Don Randall, said in federal parliament in 2009, "We would not have had franchising inquiries in WA, SA or federally, were it not for one man: Jack Cowin".

The issues have been well aired federally and in just about every state. So far, we still only have one set of franchising rules, the national Franchising Code of Conduct. The FCA agenda in 2013 is to keep it that way. There are many potential hurdles on the road ahead to achieve that goal. Current status (at early November) is:

Queensland: A 2010/11 legislative move nipped in the bud. Current government has no agenda to meddle with the national settings. FCA represented on Small Business advisory group.

NSW: A move afoot by an Opposition MP to create new franchising rules as part of the introduction of the NSW Small Business Commissioner office. Government does not support this, so unlikely to succeed. FCA working with SBC and Minister's office on small business support, especially in retail leasing rules.

Victoria: Supports national regulation and has positive attitude to franchising. FCA represented on Small Business Advisory group, and working with government regarding leasing laws.

Tasmania: Government supports national regulation. No plans to interfere with franchising regulatory settings.

South Australia: Government supports national regulation, but has criticised federal government for failing to amend the Franchise Code of Conduct to "codify" a good faith obligation and to implement penalties for breaches of the Code.

The government has taken the matter into its own hands, introducing a *Small Business Commissioner Act* and attaching penalties for breaches (the only state to have done so). It is threatening to introduce its own franchising Code if the Federal Government does not act.

Western Australia: Three attempts at introducing franchise-specific legislation have failed in the past two years. The government opposes state-based franchising legislation, but has been undermined by a Liberal (government) backbencher who has promoted the need for a 'good faith' code to eliminate the 'rogues' in franchising. An Opposition bill on the same topic lies dormant on the parliamentary notice paper and will soon expire. The government faces an election in the first half of 2013, and polls indicate it should expect to win and establish a governing majority (as opposed to the current knifedge balance of power).

National: We now have a national Small Business Commissioner, to complement those in Victoria, NSW, Qld, SA and WA. The newly appointed head is Mark Brennan, a respected former Small Business Commissioner in Victoria.

The Federal Government faces the polls in 2013 (likely in the second half of the year). The government has said it will consider a review of the Franchising Code of Conduct, but has not yet set any dates or ground rules. It has promised to include FCA in a consultative way, whatever process occurs. The Federal Opposition has not yet set its small business policy. However, it retains some of the ideas raised in its 2010 election policy. These include reference to a national small business Ombudsman, encouraging good faith behavior between big and small businesses, and the possibility of applying consumer unfair contract law in business-to-business contracts. All of these issues have been raised as of concern to the FCA. A policy meeting of senior franchisors at the FCA national convention in Canberra in October gave this feedback directly to the Opposition small business spokesman, Bruce Billson.

FCA will conduct further franchisor policy briefings with MPs as 2013 unfolds. We will outline a calendar in the first issue of *The Franchise Review* for 2013. fr

Ipads vs Android vs Microsoft Surface

What tablet is going to be best for your business?

Gary Valkenburg
World Manager Founder / CEO

A very common conversation today between CEOs, Operations Managers and IT Divisions is "what tablets will be best for our operation?". There are three major operating systems to choose from. What are your key purchasing drivers and how do the iPad, Android and Surface tablets stack up against each other when analysing your key factors? As founder and CEO of World Manager, a cloud-based corporate communications provider, I have spent years analysing the latest in technology to see how it really makes business life easier.

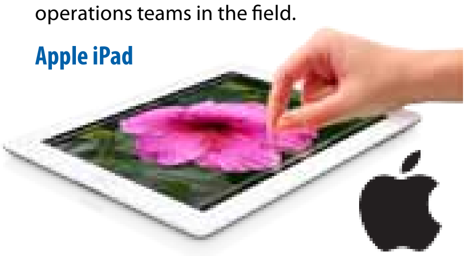
A breakdown of the contenders

There are an undisputed three main contenders in the tablet market today. Apple, Android and the new Microsoft Surface. Here is a rundown of who they are and what they offer for your business.

Windows Surface

Windows Surface is the latest entrant and has two models coming to market, the Win RT and Win 8 Pro. The Win RT is advertised as only being able to run off Apps from the Microsoft Store, much like Android 'Play' and Apple Store. Win 8 Pro "coming soon" is being sold as being able to run Windows 7 software with the full suite of Microsoft Office tools like Word, Excel, PowerPoint. This is HUGE for business and seamless operation of a device by your operations teams in the field.

Apple iPad



Sexy, sleek and a gazillion apps for everything you will need in your life. The latest iPads are the iPad 2, the New iPad, and now the iPad Mini. The New iPad has the highest HD 'Retina' screen resolution. But for strict business use do you really care if your team have the HD display? The iPad 2 is basically the exact same tablet and over $100 cheaper! As far as the Mini goes, I owned the very first 7" Samsung Mini that came out two years ago. It is smaller, more convenient to carry, but reading, creating and editing word and excel is tough on a small display.

Android

Almost every single other tablet on the market is actually Android.

Basically the exact same operating system, all running the same way. If you end up going the Android route, make sure you buy from a major manufacturer from a real outlet, because buying cheap, no-name products from India or China means there will be lots of inferior software installed in the tablets making them basically useless for business. We have seen it over and over within our brands in the World Manager community. Motorola, Samsung, LG, Sony, Acer, Azus HTC, Toshiba are ALL running near identical Android software on their tablets.

Can the tablets communicate with our internal company emails and calendars?

The simple answer here is yes, all above tablets can very easily be set up to receive company emails, calendar appointments etc. Check with the restrictions your IT teams may have put in place, but the devices can be set up in five minutes to work effectively.

> "As you can see there is no clear winner overall. All tablets have key features that do stand out."

Processing speed

Seriously, who cares? They are all basically the same speed for business use. We are not talking about gaming. This should not factor into any decision making.

Must-have accessories for business

Keyboards

A keyboard for the tablets is mandatory for real business use. I no longer want to throw my tablet through the plane window when typing emails. For Apple iPads you can buy an incredibly thin 4mm magnetic keyboard called the 'Logitech Ultra-Thin' ($100) that clicks into place and connects through Bluetooth. Surface has a keypad ($100) built for their tablet and it too snaps in seamlessly. This is where Android falls behind. Out of the major manufacturers, only one right now has actually built a keypad into the tablet with the ability to remove at any time. Asus has a stunning range of tablets where the keyboard locks into place when necessary.

Energizer xp18000 Rechargeable Power Pack - Laptop, tablet and mobile charger

How many times have you run out of power on your mobile phone, or worse, computer, in the last month?

The Energizer xp18000 Power Pack is one of the only chargers that also charges laptops! You get up to 42 extra hours on smart phone; up to 8 more hours on tablet, or up to 6 more hours on the laptop. It easily fits into your business carry case and can charge your devices while you are travelling. The winner here is you. The Power Pack charges all tablets, so Apple, Android and Surface are tied here in compatibility.

AV accessories for projectors and TV display

Again, all three tablets tie here. Not one comes with the accessories you need to connect to AV equipment. The good news is, every tablet comes with adaptors you can buy to plug AV equipment into your tablet.

Does size really matter?

It does if budget matters! Do you care how much music or how many movies your Operations teams can download onto their tablets? No, so there is no need for storage capacity at 32GB or higher. A 16GB hard drive is more than enough for your team. Why? Using apps like Dropbox, Evernote etc., all files are now stored in the cloud, so there is no need for a huge storage capacity period. Apple has iPads in 16GB and 32GB. Android has 16GB, 32GB and 64GB. Microsoft Surface has two models. The Win RT comes in 32GB and 64GB. The Win 8 Pro comes in 64GB and 128GB. Checking out the prices on the tablets, Android comes out ahead on pricing, with so many more options depending on the tablet you choose. Apple and Surface have been competitively priced. Regardless, the lower the storage capacity, the lower the price.

Must-have apps for business use

Dropbox, Evernote, Documents To Go (Android and iPad's answer to Microsoft Office) are key business tools that every business person needs on their tablets. Surface is the newest entrant in the tablet race, and they were

sure to get these apps built for their launch. Apple, Android and Surface all have the same capabilities of storing files in the cloud with Dropbox, saving lots of stuff in Evernote, and opening, creating and editing Word and Excel documents. However, in this category, Surface wins hands down. They have built Microsoft Office first, iPad competitor second. The Surface was built to mirror the same Office experience from the PC to the tablet. Documents To Go is about $15-$20 per device from the Android and Apple Store and comes installed on all Microsoft Surface tablets.

What tablet is the winner?

As you can see there is no clear winner overall. All tablets have key features that do stand out. Do you want clean and sexy? Do you need the ability to buy a range of inexpensive devices that all work the same? Are you are a heavy Microsoft Office user? Is the decision only based on what tablet is cheapest? Hopefully this information has made your decision easier.

For another relevant and outstanding article on "iPad/Android Tablet into an everyday business laptop – 7 Easy Steps" visit ***www.worldmanager.com/news***

Feel free to contact me through LinkedIn if you have any questions. fr

Franchisee recruitment goes viral

The new way to qualify candidates

Bakers Delight is changing the way they educate prospective franchisees. New video content available on their website and via social media channels allows the viewers to follow one man's journey into Bakers Delight from the very beginning, to get a taste of what it's like to be part of this successful franchise.

Recruiting the right person to become a franchisee can be a difficult task, but with the help of this new tool, franchisees can get a feel for how the business operates, and decide whether they can see themselves as a part of it.

Bakers Delight PR & Communications Manager, Orry Lack, said considerable time and effort went into the production of the video.

"As a business we've invested a lot of time in developing internal content, but wanted to explore how we could use video in a social way to engage potential franchisees," Orry said.

The video was designed to be part of a potential franchisee's initial research.

"Video is more accessible and can generate a great first impression. So the goal of this video is to give potential franchisees all the information about what to expect before they hit the 'Apply' button. It's being seeded through traditional media, but is mainly housed under our Franchise tab on Facebook and our company website," he said.

In the past, Bakers Delight has used the more traditional print media and the word of mouth approach.

Since the move into the online space, engagement with potential franchisees has continued to flourish.

"It will definitely become a more prominent feature of our marketing as the popularity of video continues to grow. I think people would much rather spend five minutes watching a video than reading two pages of information.

"Video is more accessible and can generate a great first impression. So the goal of this video is to give potential franchisees all the information about what to expect before they hit the 'Apply' button."

"Online is a great medium for reaching an engaged audience. By creating engaging content, we're increasing the chances of people sharing the video through their social networks and creating conversation around it," Orry said.

The video, along with the use of social media and various online communication platforms, serves both to spread the word about joining the Bakers Delight team, but also helps to qualify interested parties before they take the next step and make contact.

The medium (video) creates a familiar environment where the audience feels connected to the content.

"From our experience, people looking to purchase a business are willing to invest a considerable amount of time investigating their options. This allows us to capture an active and engaged audience who are hungry for more information. So we want to produce content that puts us in front of that audience and communicates all our key messages in an authentic and honest way."

The attraction of engaging content is nothing new. It's a matter of utilising the most effective and absorbing ways to communicate in a manner that will benefit your business. Bakers Delight certainly sees video as the way forward.

"In terms of how video is being used throughout the business, it's quite extensive already. We use it for training, product master classes, merchandising how-to's and short consumer videos that are shared on our social media pages and website." fr

Click here to view the video

Franchising stars honoured

NAB FCA Excellence in Franchising Awards

The franchising sector is going from strength to strength in both revenue and growth. Nowhere has this been more evident than at the NAB FCA Excellence in Franchising Awards Gala Dinner, held at the culmination of the National Franchise Convention in October.

Following a record number of entries in both the regional and national categories and sell out awards nights across the country this year, 7-Eleven took out the major accolade on the evening, Established Franchisor of the Year.

CEO of the convenience retailer, Warren Wilmot, was very proud of the win.

"We are thrilled to win Established Franchisor of the Year in 2012. We are proud to participate in a program that celebrates excellence in franchising, and we're honoured to have been recognised by the FCA.

"This ongoing success is due to the hard work of not only our head office and state teams, but also each of our individual franchisees and their staff," Mr Wilmot said.

Battery World, Australia's largest battery retailer, also featured prominently on the evening, taking out the inaugural Franchise Innovation award, along with Franchise Executive of the Year.

General Manager, John Pascoe, said Battery World was thrilled to receive the awards that reflect the company's commitment to lifting its brand and continuing to grow at a steady pace.

"The franchise sector outperformed much of the small business market and we believe that comes back to our zealousness for service: we are a service industry and our franchisees understand that has to be our point of difference to our competitors if we are to remain resilient," he said.

Pool service and retail franchise, PoolWerx, led the franchisee awards, with Michelle and Tony Graham of Queensland being recognised as Multi-unit Franchisee of the Year.

Ms Graham who, along with her husband Tony, runs four retail outlets and six mobile units, said they were blown away to receive the award at a national level.

"It's humbling to be recognised by an association where people think what you do is worth an award – especially when we think we're just doing our job," Ms Graham said.

The awards, proudly supported by NAB, also included the induction of two new members into the Franchise Hall of Fame – Christine Taylor, founder of Aussie Pooch Mobile (see page 39) and John O'Brien, founder of PoolWerx.

"It's very special to be recognised by your peers personally, not just for what you've achieved but for the way you've done it," Mr O'Brien said.

The event, one of the most anticipated on the franchise calendar, was held in the Royal Theatre at the National Convention Centre, Canberra, at the culmination of the National Franchise Convention.

The awards held at state and national level each year represent the pinnacle of franchise achievement and are a celebration of the hard working teams and individuals in the industry.

FCA Executive Director, Steve Wright, said in difficult economic times the Australian franchise sector has outperformed the rest of the small business market.

"These outstanding businesses and individuals are great examples of the entrepreneurial skill and determination that has made the sector so resilient," Mr Wright said. fr

NAB FCA Excellence in Franchising Awards

2012 WINNERS

Established Franchisor of the Year – *7-Eleven Stores*

Emerging Franchisor of the Year – *Luxottica Franchising*

Multi-Unit Franchisee of the Year – *Michelle and Tony Graham, PoolWerx, QLD*

Franchisee of the Year, two or more staff – *Craig Mason, Sign-a-rama, WA*

Franchisee of the Year, less than two staff – *Daniel Conroy, Mister Minit, QLD*

Franchise Woman of the Year – *Carolyn McManus, The Coffee Club, QLD*

Supplier of the Year – *FC Business Solutions*

Franchise Executive of the Year – *John Pascoe, Battery World Australia*

Field Manager of the Year – *Shane McMillan, Mister Minit, NSW*

Excellence in Marketing – *Fastway Couriers*

International Franchising – *Gelatissimo*

Franchise Innovation – *Battery World Australia*

Franchisor Social Responsibility – *Bakers Delight & Bendigo and Adelaide Bank*

Franchisee Community Service – *Jo and Maurie Patterson, Bakers Delight, QLD*

Contribution to Franchising – *Philip Ciniglio, Market Minds*

Franchise Hall of Fame

Christine Taylor, Aussie Pooch Mobile

John O'Brien, PoolWerx

Making connections that count…

National Franchise Convention, 2012. That's a wrap!

Futurist, Craig Rispin

A typical mobile phone today has more computing power that all of NASA did in 1969.
#NFC12 Craig Rispin @vournazos

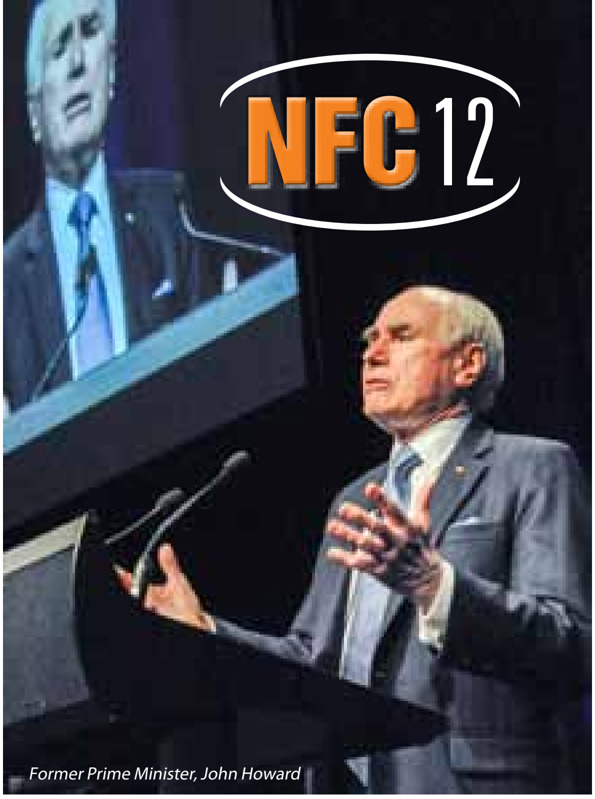
"As a leader you must listen... you must know your audience ...but you must also be prepared to make the tough decisions that are in the best interests of your people."
John Howard OM AC, 8 October 2012.

Listen. Know your audience. Have the courage to make the hard decisions.

They were the major messages in a rousing opening keynote address from former Prime Minister, John Howard, at the opening of this year's National Franchise Convention.

Mr Howard captivated the delegation with stories of leadership and history in the making during his time in Government, his thoughts on the current state of the nation, and his enthusiasm and admiration for Australians working in small business.

The theme of the morning on the 8th of October at the Canberra Convention Centre was leadership. The inspiration and motivation continued with Christine Corbett, Executive General Manager Retail Services at Australia Post, Australia's largest franchise, and Roger Gillespie, founder and CEO of Bakers Delight.



Former Prime Minister, John Howard

Geoff Davis, Wendy's founder, recommends running your SME business like a public company and use independent Directors. #nfc12 @BruceWMcFarlane

Roger Gillespie, Bakers Delight

Inspiring business leadership presentation by John Howard OM AC at FCA conference #nfc12 @retail360online

Constant and never ending improvement. Roger Gillespie Bakers Delight. #nfc12 @gregnash

Both shared insights from large Australian systems on the differences with leadership in a franchise, and where their respective companies are headed in the near future.

Mr Gillespie spoke of the challenges of leading leaders, something all franchisors must face, coping with rapid expansion, and the absolute necessity of heavy investment in technology.

Technology was a key concern at the convention, covered with gusto both in two keynote addresses and the panel-based concurrent sessions featuring some of Australia's best known franchisors.

Oscar Trimboli, Director of Microsoft Office Division Australia, demonstrated practical applications for tomorrow's technology – showing exactly how and why these will affect your bottom line – an incredibly popular presentation that covered not only technological advances, but their application for profit.

Business Futurist and Innovation Expert, Craig Rispin, wowed the crowd near the close of the convention with the sheer mind boggling statistics of technology in our daily lives.

The concurrent sessions this year followed a slightly different format. Almost all were panel presentations featuring an expert facilitator, along with experienced franchisor panelists who were able to share their experiences, both good and bad, directly from the trenches.

The format, a huge success, featured speakers from successful franchises across the country, including Foodco, PoolWerx, McDonald's, Wendys, Hairhouse Warehouse, Pack & Send, Snap-on Tools, La Porchetta, The Coffee Club, Raine & Horne, V.I.P Home Services, Fernwood Fitness, Quest Serviced Apartments and more.

The sessions covered everything from application of technology in a franchise system, to managing conflict, establishing effective franchisee committees, building a high performing head office and managing the marketing fund for everyone's benefit.

The program managed that rare feat of appealing to both the established systems and engaging with the up and coming systems.

The collaborative environment spilled over into the networking functions, which included the annual welcome drinks along with a cocktail party at Old Parliament House where delegates could mingle and talk over the day's sessions, as well as take in some of Canberra's history via tours of the site – including ghost stories in Bob Hawke's office. The event finished on a celebratory note at the Excellence in Franchising Awards where 7-Eleven took out the major accolade. (Read more about the awards on page 18.)

In what can only be described as an uncertain economy, the vibe at NFC12 was upbeat and optimistic. According to Chairman, Stephen Giles, franchises have always punched above their weight, both in revenue and growth. He used his final address (Michael Paul of Pack & Send was elected Chairman of the FCA at this year's convention) to remind all in the sector to continue to approach their business with vigour and strength, rather than become bogged down in the economic struggle the media would have us believe we are facing.

"We must never say, nor let our franchisees say, that these are tough times. They are not tough times. They are simply challenging times. And our job is to meet the challenge," Mr Giles said.

Continued over page

"Success does not always come from the brightest or fastest to act, but to those who adapt and persevere" Stephen Giles FCA Chairman @franchisingau

Announcing NFC13!

FCA is pleased to announce the next National Franchise Convention will be held at Jupiters Hotel and Casino on the Gold Coast.

The important dates for your diary are: Sunday 20 October – Tuesday 22 October.

If you would like information on exhibiting or sponsoring the event,

Please click here

Hani Sidaros started as crew member at 15, now has 8 McDonald's stores. His civil engineering degree "sits on the wall and gathers dust" #NFC12 @franchisingau

Mark Bouris, Yellow Brick Road

#NFC12 Craig Rispin 'history doesn't repeat itself, but it often rhymes." @FranchiseBuyer

#NFC12 "Hire for attitude, develop for competency." Christine Corbett from Australia Post @tobytravanner

Click here to view the video

The FCA gratefully acknowledges the support of our sponsors at NFC12

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Christine Corbett, Australia Post

Glad to see we're not the only ones with e-commerce questions. This room is packed! #NFC12 @evanfosterufg

Oscar Trimboli, Microsoft

Luxottica
eyes on the future

Ever been into an OPSM? Then you've had contact with Luxottica. With well known brands Laubman & Pank, Sunglass Hut and Bright Eyes, Luxottica is a well established manufacturer, wholesaler and retailer of eyewear and eyecare products. But did you know it is virtually brand new to franchising?

Following their Emerging Franchisor of the Year win at the NAB FCA Excellence in Franchising Awards in October this year, *The Franchise Review* sat down with Franchising and Acquisitions Director, Peter Baily, to find out what the new business model has done for the multi-brand company, and where they're headed from here.

What does being the 2012 Emerging Franchisor of the Year mean to Luxottica?

We're very excited. It's a fantastic vibe. It's been a bit overwhelming in fact, the response not only from the business but from our franchise partners. I'm still getting phone calls today congratulating us. I think everyone can see that we've put a lot of work in, built a fantastic franchise model, and I think everyone thinks it's well deserved.

Laubman & Pank was established in 1908, OPSM in 1932 and Luxottica Australia in 1996. Could you give us a little background on Luxottica's entry into the Australian market?

Luxottica entered the Australian market essentially as a wholesaler. In 2003, Luxottica acquired the OPSM group, which was a publicly listed company at that stage, and obviously we continued to build the brand from there and incorporate it into our business. It's grown significantly since that time.

So it wasn't until 2008 that Luxottica decided to pursue franchising as a growth model? How did the roll out of the new model work?

If you go back in time, the optical industry was very fragmented. Someone would do an optometry degree, work for a couple of years, then typically start up their own practise and run that until they retired. That was the way the industry was constructed, and there's still a lot of that evident today. That's one of the reasons we built our franchise model. There are many optometrists who are keen to own their own business, yet understand that the industry and the market is changing rapidly, and therefore we're keen to do this under one of our brands.

When we initially kicked it (franchising) off we definitely started with internal people moving from employee to franchise partner, there was a blatant demand from people within the company that were keen to own their own business.

Continued over page

Really, the last 12 months or so for us has been continuing with that, but also concentrating on converting independent businesses in the industry to an OPSM or a Laubman & Pank. There are certainly some great profit improvement opportunities, there's a fantastic value proposition for those independents. It also gives us growth in markets where we don't yet have a presence.

Luxottica has a layered franchise model. Can you explain how that works?

Many optometrists are keen to own their own business. However, the profile of an optometrist is that they are very risk adverse; they are health professionals who are not really exposed to business at all when doing their training. To that end, they come in relatively commercially inexperienced. So we have the various models which enables them to scale up to greater levels of commercial complexity and risk and return over time, as they have an appetite for that. They can start with the alliance (model) which really is a try before you buy, whereby they enter into a 12 month contract, with no purchase price for the franchise, so they essentially walk into it for free and run it as their own business. If they do well, they can move up to one of the higher levels, or alternatively if it's not for them then they can revert back to being an employee.

It's a great way to get a taste for the business and make sure it's something that you want to do. From there, they can move on to the optometry model where they manage that side of the business, or a full franchise model that includes the retail side as well.

One of the key motivators for your potential franchisees is succession planning. How does Luxottica support its franchisees through the succession phase?

It certainly makes it a bit more complex from our point of view as the franchisor, but having the different models available provides something for everyone, and succession planning is really built into that entire structure. You can start at the bottom, move up to ultimately a multi-site operator, and then as you head towards retirement you can start to scale back to some extent.

So we may choose, for someone who is running a full franchise, to take control of the retail side for them, which means basically they become an optometrist running the optometry side of the business, and life gets a bit easier.

The very structure of our models, and the different levels of risk and return, is in fact a succession planning tool in its own right, and a clear pathway provided to our people.

Aside from that we have certainly developed a strong pipeline of prospects, so we would be talking to about 250 people at any point in time around franchise opportunities, and through that pipeline of prospects we can provide for succession for those within the business or independents who might want to convert in or sell to a new franchise partner.

We provide training to our franchise partners around succession planning so they're thinking about it; when they need to start working on it, they understand what it means and what a good strategy might look like.

> "You can start at the bottom, move up to ultimately a multi-site operator, and then as you head towards retirement you can start to scale back to some extent."

There are more than 800 stores in Australia and New Zealand. What is the balance of franchised and company-owned stores? What will it look like in the future?

At the moment it's around 150 and maybe 135 franchise partners out of just over 800 stores. It's a good question because we don't really have any targets; we're certainly not a totally franchised business. I think the majority will always be corporately owned, and there are lots of benefits in that. There are certainly lots of geographic gaps in our network still, and we will work more on using franchising to fill those in the future.

We strongly believe that franchise partners can drive better performance, and we're certainly seeing that come through, so that might shift our propensity to franchise in the future. We don't have any specific percentages or targets as a group that would or wouldn't be franchised, I think it's something we assess each year and then make a commercial decision based on that.

Many of your franchisees are existing optometry business owners. What assistance do you provide?

There's a lot we do from an optometry point of view. We have an area which we call the Institute of Learning, which is run by Dr Peter Herse, an acclaimed academic in optometry. It's run via e-learning, face-to-face sessions around the country, and has a regular newsletter.

We send franchisees to conferences; there are scholarships available. We are doing a lot around educating our partners about emerging technologies that can be used to diagnose eye health conditions. One of the benefits of coming in as a franchise partner is that you get access to all those resources on the optometry side.

I think all of our people are fantastic optometrists and they access all of those learning opportunities on a continual basis. I believe one of the big benefits, and an area we are putting a lot of attention in is really around that business training. Often (franchise partners) come in, especially when they start, with very limited business experience. So we put a lot of attention into training them in marketing, human resource management, and financial management.

Do you approach marketing differently for OPSM and Laubman & Pank?

The brand strategy and approach taken by both brands is very different. They both have their own marketing teams also. They are positioned differently within the market. Laubman & Pank is focused on being a local brand that is humanising optometry. Laubman & Pank aims to develop relationships within the local market and look after their eye care.

For this reason, execution on marketing is kept on a local level, is geo-targeted to where stores are and is personalised to local areas.

OPSM takes a different approach, with the aim to be a superbrand. There are three pillars OPSM talks to, these being eyecare, range and service. The 'We Look Deeper' campaign has supported the technology pillar. Over the last 12 months, there's been three keys pieces of eyecare technology (DRS, OCT & Ultra wide DRS), which we've promoted through the 'we look deeper' message, validating 'how' we look deeper. On the range side, we talk about the diverse range of brands we have that cater to all styles and price points. Additionally, we call out the exclusive products we have, which differentiate us from competitors. Service is all about providing a world class customer experience, which our surveys say we do well. We have more planned for this one – so watch this space!

Continued over page

What are your plans for the next couple of years?

L&P is looking to continue those relationships in the local community, having a really happy feel and engaged team in store. OPSM will be focusing on taking all three brand pillars to the next level through cutting-edge technology, exclusive products and world's best customer experience. To that last point, we are integrating digital into the customer experience to allow them to connect with the brand when and how they want. OPSM is looking at the customer journey as a 360 degree cycle, opposed to a two way communication piece. What we are trying to do is ensure that we have the right communications, in the right medium, whether that be email, social media and the digital experience in store as well.

What is the digital experience in-store?

We're in the process of building a very large digital platform which integrates the retail experience with web, with mobile technologies, and with social media. Obviously it'll have e-commerce components, but a real personalisation element, so every single customer has a personalised experience relevant to them from start to finish.

So it's about making the customer feel individually cared for?

That's part of it. As an example, the way mobile internet is developing is just amazing, the way in which the world shops is changing, and we absolutely want to lead the way, in the way in which our customers can interact with the business. So that it is, in fact, a world's best experience. Once the platform's completed, it will be used as a benchmark, certainly within the industry, but perhaps even in retail. It's very impressive.

Finally, can we talk a little bit about the One Sight Foundation?

It's our global charity; the aim of the charity is to help the world to see. We're aware that a lot of people don't get access to good eye health and the aim of the charity is to provide services to those people.

There's a local, national and international component to what we do. For example, we were recently involved with screening kids in Western Sydney, as part of the New South Wales Premier's Reading Challenge.

This involved going into schools and areas where children may not have access to regular eye care, and making sure those kids have a basic test, and if further work is needed we send them through to one of our stores. Similarly, nationally we've rolled out a program around the Mount Isa region. Mount Isa has the worst eye health in Australia. What we found in and around that area was we would go and do these sorts of programs - we would go to an area and test a lot of people and dispense lots of glasses as needed - but we'd find that overall that eye health levels really didn't change. Because we weren't there for the long term. We've now said lets go to an area and really make a difference. So now we're not only testing people's eyes, we're doing lots of education. Ultimately, our goal is to sponsor an indigenous person to train to become an optometrist within the business. Providing employment opportunities for indigenous people, and obviously, improving their eye health is the background program.

Internationally, we run missions around the world in developing countries which our people are encouraged to support, and provide their time to go and work in those missions. fr

Case Study

Accounting in the cloud:

In real time - for real efficiency and real profit

Tony Melhem

Coco Cubano's 'El Presidente', Tony Melhem, knows there's more to running one of the hottest franchises in Australia than serving up great mojitos, food and music. Tony is on the Board of Directors at the Franchise Council of Australia and has been involved in franchises for more than 10 years, winning Australian Franchisee of the Year in 2005 and 2006. He's well aware of the special challenges faced by franchises in respect to accounting.

So when it came to Coco Cubano, he called in his long time financial advisor, Craig Pisani.

"They were doing a lot of manual data entry," said Craig. Excel spreadsheets were filled in and reports were generated and sent to head office for processing.

"The whole process took about a month for them to get relevant data out".

"In these days of technology enablers, there is no need for that kind of labor intensity."

Craig recommended Coco Cubano use an online accounting system that was easier to use, more accessible and with better real time data view. "Accounting systems need to be easy because it's the franchisees that are going to be using it to enter data, do bank reconciliations and more" said Pisani.

Get the right system upfront

Franchisors spend a huge amount of time mandating processes, branding and layouts but accounting systems can be left to the discretion of the franchisee, leading to disparate and disconnected systems.

Continued over page

"Having your financial information available in the cloud saves the franchisor money by reducing their server costs, resource costs and provides the franchisor with increased efficiency, as information is accessible for every franchisee."

It seems to be the great paradox of franchise operators in that they don't focus on back end systems, which are crucial to running a successful business.

Craig, of BDO Accountants and also Coco Cubano's financial adviser suggested they implement Xero as their accounting software. An important part of obtaining the results the software is capable of was ensuring the system was used across the entire franchise network.

"By mandating an accounting system, you can help your franchisee get it right upfront. It's really important for franchises to standardise process, brand, service, marketing across the board. We made sure that everything at Coco Cubano, including our accounting software, was consistent in all our franchises," said Melhem.

Having a standardised chart of accounts and reports enables the franchisor to easily compare with each franchise and assist when needed.

"With an integrated, online system like this, I can set up templates so all the reports coming in from my franchisees look identical" said Melhem.

"It means that I can easily compare between different franchises and it allows us to identify and deal with issues immediately and before they become a problem".

Repeat the winning formula

Franchises are built on replicating and selling a proven successful business model. Having your financial information available in the cloud saves the franchisor money by reducing their server costs, resource costs and provides the franchisor with increased efficiency, as information is accessible for every franchisee. The franchisee, franchisor and accounting firm can get access to live profit and loss statements, balance sheets, BAS reports and other accounting processes.

For Pisani, the benefits are obvious. "No matter where I am, I can log on to my Internet, fire up the system and advise Coco Cubano, and they can see what I'm doing".

"Even from Cuba!" Melhem laughs.

Once franchisors have locked down a solid operating model, they need to focus on strengthening results.

Benchmarking tools and apps can help you monitor your progress relative to both competitive businesses within your franchise system.

Financial management tools like Fathom and Spotlight Reporting assist with streamlining reports and benchmarking your clients, franchisees and subsidiaries.

"As a franchisor, you can set up what your franchisees' KPIs should be and they can raise a red flag if they are unable to meet them" said Melhem.

There is no doubt that cloud computing is on the march. It is quickly becoming mainstream, accepted by big companies and small. Xero recently listed on the ASX, and is now dual listed on the ASX and the NZX, after already becoming New Zealand's dominant cloud computing provider. Business in the cloud is no longer the way of the future, for some it is already best practice. fr

Phil Ciniglio, Managing Director
Market Minds

Exclusive Territories

Sizing up the options

Franchisors make one of their biggest decisions when they choose how to structure their territories. It is a serious consideration because once you have started signing franchise agreements and you have promised it (an exclusive territory) as a benefit to franchisees, it is very difficult to change the structure, should you decide you have it wrong.

There are clear positives in having exclusive territories when starting out. When attracting prospective franchisees it helps give them the confidence they will be able to make money. However, as sophistication of market assessment increases, it should be possible to instil this confidence in other ways, without relying solely on territorial boundaries.

Firstly, let's consider the definition of exclusive!

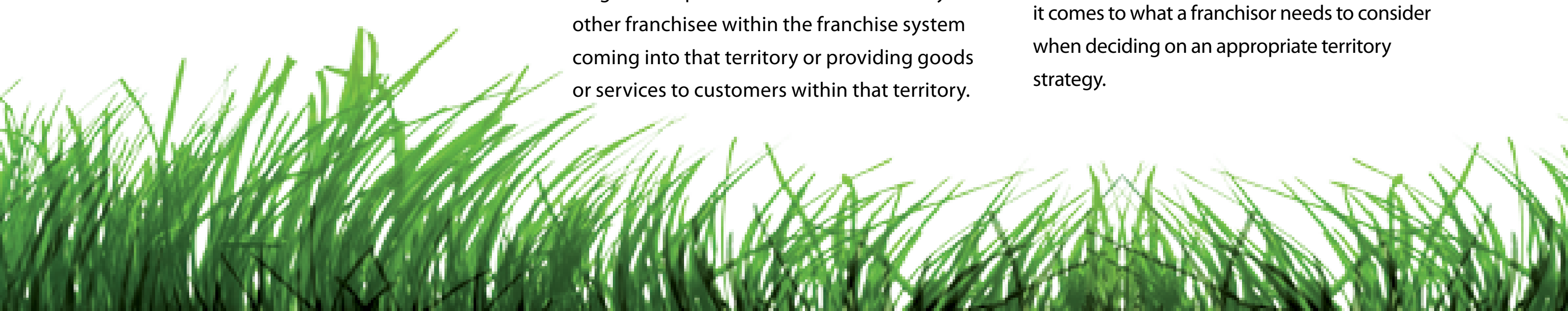
Exclusive and Territory can each mean many things.

Generally 'exclusive' is assumed to be an absolute right for the franchisee to conduct its business within the defined territory, with a right to stop both the franchisor and any other franchisee within the franchise system coming into that territory or providing goods or services to customers within that territory.

The territory would be the locality protection of a franchisee's anticipated area of business, office or retail store. In other words, a geographical territory defined by postcodes, suburbs or other boundaries that prohibits another franchisee or indeed the franchisor from locating their business within that territory.

This type of agreement, when put to potential franchisees that have never been in a small business before, will usually think the offer of an exclusive territory is fantastic and on face value is a very fair and equitable proposition.

Of course, franchising covers just about every industry imaginable so the examples given in this article are just the tip of the iceberg when it comes to what a franchisor needs to consider when deciding on an appropriate territory strategy.



"A franchisor should be sophisticated enough to understand the market, demographics and target market to understand the limitations and growth prospects."

If we break down the sector into two segments in franchising, being retail and service, the vast differences in how you might want to apply your territory policy become immediately apparent.

Let's start with retail!

Exclusivity that prevents competing franchisees doing business within the territory.

If the franchise model for retail has an exclusive territory then we must consider the two meanings, firstly the exclusive rights so that another franchisee cannot set up shop in your territory. It all sounds nice and safe for the franchisee and they will never have a competing franchisee anywhere near them but let's consider this:

When they start up, many franchise companies will make an assessment of what they think their market share could be across the state or nation. With new concepts it is usually even harder to really know how large your brand can be and how much market share you can really obtain, so what to do?

Good market research will certainly help but the anomalies can be through unforseen threats or market changing factors, such as fads, trends, competition and various external threats that you may not have foreseen. Some brands may be affected with restricted growth and some brands will have larger growth than they could ever have imagined.

So the question is, "Why set up your business model with predetermined restrictions via exclusive territories in the first place when you really don't know the potential of the brand?".

Consider that a franchisor's duty to its franchisee business partners is to maximise the growth of the company; in other words, place as many franchisees out there that the market place can safely bare. It is also the franchisor's duty to increase the value of the franchisees' businesses by maximising the brand exposure for all franchisees.

Under this definition it is difficult to think of any situation that should require an exclusive territory policy.

You may argue that an exclusive territory discourages the franchisor from doing the wrong thing by placing too many franchisees in close proximity. Franchising has become far more sophisticated in recent years, and today, laws are much more protective of franchisee rights.

But even without the law as back up you would have to ask yourself, "why would any franchisor in their right mind purposely cause harm to their franchisees by placing another franchisee too close, especially if there is not enough market share?" The franchisor relies upon the success of their franchisees to be successful themselves.

This is why most food franchisees do not have an exclusive territory; in fact the notional territory is just the premises of the franchisee.

A franchisor should be sophisticated enough to understand the market, demographics and target market to understand the limitations and growth prospects.

Let's have a look at exclusivity in the service franchise sector. Exclusivity that prevents competing franchisees locating within the territory.

This is not dissimilar to retail, however, a franchisor should not make the mistake of copying retail strategies in developing a franchise service model.

If you are a service franchise company with a retail presence then many of the same considerations would apply. Why restrict the franchise brand from growth? Why set up two individual franchisees close by unless it is good for the growth of the business, is sustainable and gives customers what they want?

If you are a service franchise without a retail presence then really it should not matter where the franchisee's office is based, it is more of a consideration for where your customers will be.

For instance, in a town where two franchisees are operating, the geographical location of the office is immaterial but one franchisee may be encouraged to run the north side and the other the south side. It may be more convenient for the franchisees to be located in or near their territory for convenience, reduced travel and other cost benefits, but regardless, is there really any necessity for an exclusive territory?

Exclusivity that prevents the franchisee from soliciting customers outside of their territory.

This is the real issue for debate.

Service companies have to go out into the market to solicit for business, either from the domestic or business market, so the franchisor has to work out the best and most fair way to do this.

Let's consider the various types of industries, lawn mowing, mortgage services, financial services, car repair, cleaning services, pet minding services, vending machines, maintenance services and so on.

Continued over page

"Exclusive territories can be a formula for constant battles, the franchisor ending up as the meat in the sandwich trying to fix the issues according to the agreement, and taking up too much valuable time."

So, exclusivity for services in this case means that you have your own territory where you and only you can market for business. Seems fair, but let's put a different perspective on this deal!

Firstly, for micro systems like house cleaning and lawn mowing, the territory would need to come down to streets or a suburb to be effective.

Here is the real issue as experienced by many service type franchise companies.

They have created borders like the borders of a country and we all know what happens when you get two competing countries. When you create borders you create wars.

The biggest problem is telling a business person that they cannot sell their services in a neighbouring territory when of course you can't stop customers from talking to a business person, or a happy customer from referring friends and family who happen to live outside the territory.

Remember, franchise networks are made up of real people with real personality traits that vary across the board and no matter how smart your recruitment process is you will never stop a mix of differing personalities. Not all of your franchisees will follow the system completely. How can you blame them trying to make as many sales as possible when the end result is that they make money for themselves, they make money for the franchisor through royalties and they make customers happy?

Exclusive territories can be a formula for constant battles, the franchisor ending up as the meat in the sandwich trying to fix the issues according to the agreement, and taking up too much valuable time. These are the sort of issues that can certainly ruin a National Conference.

So what is the alternative?

Don't have exclusive territories

At the very early stages in developing a franchise model, once again, it is the franchisor's responsibility to understand the market place. Even a brand new franchisor should be able to work out a safe growth potential for any given region, which will look even better without having to carve up into little boxes or territories.

This is simply a matter of saying, our business model works well with X amount of customers for a franchisee, we have estimated that this town, city or region can adequately handle five franchisees, however we will grow at a rate that will allow the franchisees to become established before we introduce more franchisees. The beauty of this is that if you have underestimated your potential you have the ability to expand either with your existing franchisees or new ones.

The positive approach to non-exclusive territories is this:

1. The same rules apply for everyone and everyone has an equal opportunity in the market place.
2. You are not inhibiting sales people to do what they are meant to do, make sales.
3. You have the freedom to attend to referrals, one of the most successful tactics in local area marketing. You can promptly respond to the best type of customer of all, the customer that gives referrals.
4. It becomes friendly competition between franchisees, and each sale means a competitor outside of the franchise brand is excluded.
5. The franchisees for that region can actually get together and combine their local area marketing spend to get a better result for everyone (synergy).
6. They will swap customers if it is geographically or financially beneficial.

This is not a theory; this is a tried and proven initiative that has been implemented into new franchise systems but also into existing systems that become weary of the issues surrounding exclusivity. Of course, you cannot change an existing system over night as many franchisees feel that something is being taken away from them instead of realising that the change is opening up great opportunities.

I have personally been involved with several systems that went through the change. Sure, it took a great deal of planning and working with franchisees in order to make such a significant change to the business model.

The positive feedback from franchisees has been fantastic. But there need to be firm ground rules in place. Ensuring franchisees are not seen to be fighting over a customer is essential. Once this is sorted out, the real benefit is the entire franchise brand creates a greater customer database.

The issue is this; no matter what style of operation that you have, you will think that yours is a little different, and yes to an extent that is true, especially with logistics but the overall philosophy does not change. How you overcome the quirks of any individual system is to have ground rules, or 'Rules of Engagement'.

These are the set of rules that would be part of your operations manual detailing what you can and can't do specific to your style of operation, so as to create a basis to work together amicably.

No system is perfect, so a key part of your franchise rules of engagement is a dispute resolution process for any conflict that arises between franchisees. Of course, if something becomes more serious the external mediation process may be more appropriate.

In conclusion

What makes a franchise brand strong; happy customers that see no reason to buy from a competitor. A franchise brand that cannot be flexible enough to meet this goal will end up like the dinosaurs. One of the best ways to create inflexibility is through the use of exclusive territories that fail to recognise that by using such a structure, you are promoting petty disputes between franchisees within the franchise brand and forgetting that the real way to success is to do everything possible to drive sales and meet all of the needs of your customers. If you have an exclusive territory policy and it works well and you have never had the issues as described, then congratulations.

However, if you are starting out then it is important to consider the style of territory management for your system and there is simply not one answer for everyone, but I would strongly advise anyone to consider the extremes of exclusive territories before you lock yourself into your franchise model.

> **"...the real way to success is to do everything possible to drive sales and meet all of the needs of your customers."**

Repackaging retail:

Sales opportunities beyond the store front

Gareth St John Thomas, CEO
Lifetime Distributors

If you combined all the so called 'unofficial' economic activity into one state, that nation would almost certainly be the world's largest economy. It's helpful to think of this when realising that the way things are organised today almost certainly won't be how they are tomorrow and that is certainly true of retail.

> **"The process starts with realising who your customer actually is; now you know who they are, where are you going to find them?"**

The old belief was that '*if you can carry on doing what you are doing you are going to get the same result*', but that's not even true anymore. The fact is that it's 2012 and many businesses in the franchise sector need to embrace change. The opportunities can be enormous.

Lifetime Distributors –The Book People moves more than four million items a year through its network of self-employed franchisees and distributors having relationships with people in their individual offices.

The business is booming and mega sellers such as *Fifty Shades of Grey* show there is still plenty of interest in buying books.

The key to the Lifetime Distributor's model is delivering those books in new and effective ways.

The process starts with realising who your customer actually is; with us it's straightforward – the mum at work and her mum too. But now you know who they are, where are you going to find them?

We have found that if the service, products and pricing are good enough, then people are pretty flexible on precisely where and how they actually make the purchase.

You have to think laterally, as if there are clear and obvious new approaches they would be taken up already, which means that there would be little more than incremental advantage to you.

Thinking outside of the traditional approaches can be a game changer and franchised systems should be better at this than most other organisations.

Some businesses can be tied up in their systems and processes but if the franchise structure is organised well the franchisor has time to think and pilot new ways forward. Would more pizzas be sold from umbrella stand stores on street corners? Could the baker's delivery van be profitably revived?

> **"You also have to think laterally, as if there are clear and obvious new approaches they would be taken up already..."**

I don't know these industries but it's by asking such questions that progress can be made. We have to be able to listen too. What we heard was that people are time poor, especially those working busy corporate jobs. They were attracted to the concept of books being made available to them at work for them to peruse at their convenience, in their lunch hour or on their break.

In exchange for their theoretical efficiencies, franchised structures can add additional costs to an operation, if that operation is performing at above average levels then it all makes sense.

Even more reason for franchisors to start thinking about how they can really add some value to their businesses by thinking in new ways about their distribution.

It's the product that matters – and getting it to customers in ways they want can only be done by observing, listening and being innovative. fr

Gareth St John Thomas is the CEO of Lifetime Distributors, Australia's largest direct to customer display marketing company that supplies books and gift products to over 38,000 places of work each week. Visit ***www.lifetimedistributors.com.au*** *for more information.*

Experts push for Code improvement

Alicia Hill
2012 NFC Legal Symposium Chain

On 7 October 2012, the annual FCA Legal Symposium was held, with more than 27 speakers and moderators addressing attendees on developments in franchising, considerations for Code review and refreshing the application of some long standing 'settled' areas of law as interpreted by the courts of today.

One of the highlights of the symposium was the final session, which commenced as a series of roundtable hot topics where attendees were encouraged to share their views. A moderator for each roundtable was then invited to address the combined group and present the issues and summary of the discussion raised within each group.

As the topics included some of those set out below, interest was high and varied opinions expressed on each of the topics:

- Franchisor disclosure: what should be in?;
- A dual system: State and Federal Franchising Codes of Conduct;
- Termination: issues and methods of management; and
- Inserting good faith requirements into the Code: Issues.

Suggestions which emerged included: clarifying definitions of 'misconduct' and 'fund' to assist franchisors comply with their duties of disclosure, the possibility of a constitutional challenge if state-based franchising codes are introduced, introducing 'good faith' into the Commonwealth Franchising Code of Conduct, the difficulties in defining 'good faith' and the overlap with unconscionable conduct, whether penalties should be introduced and if they would have any real value in developing good franchisor/franchisee relationships.

With the Code review tentatively scheduled for 2013, the opinions expressed, ideas shared and options identified will be provided to those organising the FCA submission to the government.

That is not to say that individuals participating will not make their own submissions, but intelligent debate and canvassing of issues certainly helps produce informed submissions which should assist the industry in general.

Other highlights of the symposium included the Deputy Chairman of the ACCC, Dr Michael Schaper's report on the exercise of the ACCC's audit powers and trends observed. The international interest attracted to the symposium, and conversely the interest in systems expanding internationally, with Mark Abell addressing European jurisdictions, Rupert Barkoff, addressing the US jurisdiction and Stewart Germann, addressing the New Zealand jurisdiction and the very current and increasingly relevant impact of technology on the franchising sector, whether this was through social media, IT developments such as cloud computing or re-branding and IP protection in our technological age.

A successful symposium, however, could not be achieved without some hard work behind the scenes and the committee of Josh Simons, Tamra Seaton, Tony Garrisson, and Philip Colman needs to be acknowledged for their commitment to producing what was an interesting, relevant and at times thought provoking symposium. fr

"With the Code review tentatively scheduled for 2013, the opinions expressed, ideas shared and options identified will be provided to those organising the FCA submission to the government."

World-leading accreditation process now in Australia

As one of the Franchise Council of Australia's four pillars, the FCA works tirelessly to ensure the education offering provided to members is of the utmost quality and value.

The FCA, in association with the American-based Institute of Certified Franchise Executives (ICFE) is proud to launch the Certified Franchise Executive (CFE) program to its members.

The CFE program is the only internationally recognised professional accreditation program for franchise executives and is known and respected by franchise leaders around the world.

The mission of the ICFE is to enhance professional standards in franchising by certifying the highest standards of quality training and education. The CFE offers existing and aspiring franchising professionals and franchise entrepreneurs the opportunity to grow professionally and reach a recognised standard of excellence within the local and international franchising community.

The CFE accreditation is a mark of quality which provides ongoing client and/or industry stakeholder reassurance of experience and knowledge. US IFA CEO, Steve Caldeira, CFE, said this was a system which had worked successfully for decades.

"We are truly excited about partnering with the Franchise Council of Australia to deliver high-quality education for franchise executives in Australia through the Certified Franchise Executive (CFE) program," Caldeira said.

"Franchising is steadily-growing from a global perspective, and increasingly, franchise executives from around the world are benefiting from IFA's education and professional development programs."

The program is used in North America, Europe and Asia. Its structure has been customised for Australian candidates and will include core education units from FCA/Franchise Academy suppliers, along with international online curriculum units, and credit for sector experience and participation.

ICFE Board Chairman, Mark Liston, CFE is delighted to be working closely with FCA members to launch the program in Australia.

"One of the great values of being a CFE is the ability to network and exchange knowledge with other franchise executives. Through our partnership with the Franchise Council of Australia we are expanding the network of franchising professionals around the world," Mr Liston said.

FCA Chairman, Michael Paul, of Pack & Send said the already vibrant Australian franchising sector can only benefit from a stronger focus in the education space.

"This is a great opportunity to enhance what are already high standards in franchising and is a fit with the FCA mantra of constantly looking for ways to improve business performance. We see education as a critical element in lifting standards across the board," Mr Paul said.

FCA Deputy Chair, Stephen Giles, of Norton Rose believes the program is a must for franchisors, franchisees and suppliers.

"To me, it's an absolutely essential plank in any advisor's platform for quality service delivery to franchise businesses.

"I've seen this program from the franchisor and supplier perspective and I know it's the best program we could bring into the Australian market," Mr Giles said.

Australian candidates will be recognised for prior learning, experience and participation within the franchising sector on commencement of the program.

This joint venture will allow those in the Australian franchise sector the ability to distinguish themselves as recognised professionals using the CFE post nominal title following designation.

The CFE designation, which it is estimated to take one and a half to two years to achieve, will be presented annually at the FCA's National Franchise Convention to candidates who have completed all the requirements and been approved by the ICFE Board of Governors.

Australian CFE designates will also have the opportunity to be recognised at the IFA Annual Convention during the CFE graduation program.

Click here for more information

"This is a great opportunity to enhance what are already high standards in franchising and is a fit with the FCA mantra of constantly looking for ways to improve business performance."

Top dog in franchising

Becoming a small business owner at just 16, Christine Taylor has built her small income earner, "Aussie Pooch Mobile", into a franchise which continues to flourish 21 years later. She is the latest inductee into the Franchise Hall of Fame, announced at the NAB FCA Excellence in Franchising Awards in Canberra, October 2012.

Taylor, who wanted to work with animals from a very young age, is now a proud mother of two, and continues to expand her franchise off shore.

She reveals what we can expect from Aussie Pooch Mobile in the future, her thoughts on the Hall of Fame, and her secrets to success.

You started your business at the age of 16. Is this something that you knew you wanted to do full time, even then, or was it meant to be a part-time job that snowballed?

I started my own business at 16 in the dog industry, and it was something that I was passionate about. At 16, you don't really know what you want, but you want to follow something that you're interested in doing. I was interested in being able to earn an income from something that I enjoyed.

When did you realise it could become more than a 'small income earner' for you?

It was like any small business, you build on it. It was in 1991 when I realised that I alone could not keep up with the potential of the service I was offering. I needed a way to expand it, and to get other people on board to help wash and care for as many dogs as we could.

Continued over page

"Keeping your feet firmly planted on the ground and keeping in touch with customer needs and wants is paramount to your business success."

Aussie Pooch Mobile is celebrating its 21st birthday this year, why did you decide to use the franchise model to grow your business?

I researched the different models for businesses that were around and I decided that the franchising model worked. Franchising allowed others to share in my passion and be in control of their own destiny.

A lot has happened since 1991, competitors entering the market, different technologies and different marketing systems. How have you developed your business in that time to remain at the top of your game?

Business evolves, and if you're able to adapt to change, which we've been very fortunate to be able to do, then keeping it simple is the key to the success. Keeping your feet firmly planted on the ground and keeping in touch with customer needs and wants is paramount to your business success.

Along with the massive growth you've had in Australia, you've also launched the brand under the name *The Pooch Mobile* in a lot of other countries including the UK, NZ, USA, New Caledonia and Malaysia. What are some of the challenges you've encountered in expanding into different parts of the world?

Finding the right people first is really important in franchising, and obviously in any overseas expansion you need someone who is going to share in your brand passion and grow your brand. Some of the challenges are learning all about the different legalities and the various cultures and understanding the different terminology, but if you get the right people you can work through anything.

Which country did you move into first?

We went to New Zealand first. Our operator's are successful over there but we would like to see a master through that area to help us grow further.

Through Aussie Pooch you've been involved in a number of charity endeavours including the RSPCA Million Paws Walk and the Variety Doggy Fantastic camping weekend. Are there any more plans in that area?

We've just launched a fundraiser with the Animal Welfare League to celebrate pooches birthdays with the 'Pooch Birthday Party Month' on a national level. This is happening in November of this year. Charity work and working within the community is very much a part of who we are, and it's something that our operators enjoy.

What's involved in the National Pooch Birthday Party Month?

Basically it's a campaign across Australia to get people to have birthday parties for their dogs during the month of November. People have parties and raise funds for the charity, which helps the dogs that are in the Animal Welfare Shelter's care to be re-homed and cared for until they do find a new home.

What does the Franchise Hall of Fame accolade mean to you?

I'm humbled and honoured by being recognised in this way. For someone who started out washing a few dogs to be recognised as a leader in their field in this industry is certainly a very honourable accolade. My greatest reward comes from helping others. As a member of the Hall of Fame it will allow me a platform to reach out and continue to help others and enhance the profile of franchising within Australia and the world.

Are there any future plans for Aussie Pooch that you could let us in on?

Aussie Pooch is an ever-evolving business, with our mission of 'We Care' very much shown through the care and wellbeing of the dogs we service, as well as the franchisees and the people involved in our system. We are continuing to grow the business and dominate the marketplace in this industry, and we're in the process of adding unique additional services to meet the demands of the customers in this marketplace and to add profits to the franchisees' businesses.

What are some of your passions away from the business?

I enjoy spending time with my family and my animals. I'm passionate about anything to do with animals. I also dive, go boating, horse riding and enjoy an outdoors active lifestyle.

Where do you see the future of franchising in the next 5-10 years?

If the last 21 years is anything to go by, the future of franchising in Australia has a sound and solid future. Franchising is a wonderful business to be in. fr

"I'm humbled and honoured by being recognised in this way. For someone who started out washing a few dogs to be recognised as a leader in their field in this industry is certainly a very honourable accolade."