

Fast franchising facts

1,025

Franchise systems are currently operating in Australia



66.1%

of all casual employees work in Australian franchises up from 39.3% in 2008

23 units

is the median number of units per system up from 18 in 2008



22%

Substantial disputes (those referred to an external advisor for action) were reported by 22% of franchisors, who were in dispute with an average of two franchisees

(source: Franchising Australia Report 2010, Griffith University)

Australia's BEST

franchise systems

Investing in a franchise can reward an entrepreneur with freedom while providing the security of tried-and-tested systems and structures. Ben Nice looks at the costs, the returns and what you need to know

In 1863, the Singer Sewing Machine Company became the first-ever franchise business in the world. Over the past 50 years, however, franchising has touched every part of our

lives from fast-food and retail to fitness and travel. Franchises turned over \$128m last year in Australia alone.

Although there are many different types of franchising system, generally



Lollypotz
Chocolate bouquets

- Initial investment: \$150,000
- First-year turnover: \$300,000



Domino's Pizza Enterprises
Quick service restaurant

- Initial investment \$400,000
- First-year turnover \$100,000

most will offer a proven business model, an established brand or product, and ongoing support from the franchisor in terms of infrastructure, training, advertising and marketing.

Doing your homework

Australia has one of the highest franchising rates in the world. The number of different systems operating in Australia has grown from 693 in 1998 to 1,025 in 2010, giving prospective investors a lot to consider when choosing which sector – and more importantly which company – to go with.

Before taking the plunge, ensure that you do your homework, make the right decision and negotiate on fees and terms where possible.

Sounds obvious? Dr Michael Schaper, deputy chairman, Australian Competition & Consumer Commission (ACCC), says that, surprisingly, many people who sign up to franchise systems do not fully understand what they are getting themselves into.

“Buying a franchise is an exciting prospect, so a lot of people get caught up in the dream and forget to do their homework. Whether it’s looking at recent court cases involving the company, or doing a thorough Google search, you’ve really got to make sure you carry out your due diligence,” he says.

To cover all of the essentials, Schaper outlines three types of information that potential investors should be looking at:

■ **Initial information:**

as well as doing your own research, you should be analysing all of the franchisor-supplied information with a fine toothcomb. By law, franchisors must provide a thorough lowdown of everything involved – so make sure you use it!

■ **Independent third-party advice:**

usually this will be a financial advisor or an accountant who can give objective advice and feedback. Schaper says that this is a crucial, but often overlooked, step, and will help to identify any risks or areas of concern.

■ **Feedback from existing franchisees:**

an extremely important item on your checklist is to contact any current or previous franchisees of the business. This should give you a clear idea of what to expect, potential problems and a realistic idea of the costs involved.

For preliminary franchising research, the ACCC also run a free online start-up course that covers all aspects of pre-entry franchise information: www.franchise.edu.au/pre-entry-franchise-education



What skills will I need as a franchisee?

The Franchise Council of Australia (FCA) outlines five basic skills and characteristics that a potential franchisee should be able to demonstrate:

- ✓ **Business savvy** and willing to seek advice from professionals (i.e. accountants, legal experts)
- ✓ **Good communicator:** relationships are key to a successful franchise operation
- ✓ **Rule abider:** you’ve paid to use someone else’s system so don’t try to reinvent the wheel
- ✓ **Hard worker:** especially in the early years
- ✓ **Ambitious nature:** success comes to those who want it and work for it



Salsa's Fresh Mexican Grill

Food retail

■ Initial investment \$450,000

■ First-year turnover \$650,000



Hairhouse Warehouse

Hair and beauty

■ Initial investment \$500,000

■ First-year turnover \$1,100,000