



UNDERSTANDING THE FRANCHISE MARKET

The demand for franchises across Australia is growing and when you get it right, it can be a rewarding opportunity to be self-employed and grow your own wealth. However, it can be a hard business model to get right. After spending 35 years working in business contract law, I want to pass on what I've learned. Which is why I have put together this guide full of things you need to know so that your franchise can flourish.

ESSENTIAL FACTORS FOR YOUR SUCCESS

Give yourself a clear market position

It is important for franchisees to follow the business structure set out by the franchisor. A well-defined market position will ensure that your business projects a clear and consistent image of the company.

Control your stock on hand

Being laden with stock you can't sell is a recipe for disaster. It is essential for you to stay on top of your stock on hand. Staying in control allows you to meet customer demand, reduce inventory costs, and ensure an efficient stock turnover. Also, be wary of franchise agreements that bind you to buy stock from one specific source as this is a breach of the **Competition and Consumer Act 2010**.

Make the Most of Your Franchise License

Often, franchises will have established brand names available for you to license. Since brands guide consumer decision making, making the most of these established brand names will likely attract customers to your business.

Make the most of your franchisor's expertise

One of the most common mistakes we see is that franchisees don't seek the advice of experienced professionals along the way. Make the most of your franchisor's experience. Ask questions and seek guidance. The expertise of your franchisor can be a valuable tool to grow your business.

Develop a Loyal Customer Base

Loyalty is an invaluable asset to any business. If you can develop a loyal customer base you are certainly more likely to encourage repeat consumers, which can only enhance your longevity and chance for success.





Build an Experienced Team Around You

Franchises often fail due to a lack of experience. So you must build a team of employees that know what they are doing. Find people you can rely on — with experience and knowledge to ensure your customer service is top notch. Even better, you know you will be able to turn to them for reliable advice as your business grows.

When You Get Started

The exciting thing about the franchise industry is that it has low barriers to entry. In addition to the purchase and acceptance by the franchisor, you only require a licence from the franchisor to get started. So it is an amazing way to kickstart your entrepreneurial endeavours. However, since the entry barrier is so low, professional legal advice is essential! Franchises are renowned for being one of the most difficult business forms to get right and require the right balance of creativity, formality, and stability in order to be successful. Always remember to consult experts in order to get everything right. We want to see you succeed, so make sure you reach out to us for help.

Laws You Need To Know

Something to be vigilant about is that the franchise industry is subject to a low level of regulation. Make sure you familiarise yourself with the **Franchising Code of Conduct**. This code is the legislative linchpin to the entire industry and sets out all the requirements and protections at your disposal. Most importantly, it regulates the agreement you make with your franchisor at the outset.

The code ensures you are provided with all the necessary documentation and information when you're starting your business and that they are provided access to a fast and inexpensive dispute resolution process.

In addition, the **Competition and Consumer Act 2010** enforces regulations needs be.





ANSWERS TO YOUR QUESTIONS ABOUT FRANCHISE LAW

At a recent roundtable with franchisees from city and country, we got a lot of questions. Drawing on the decades of our experience, and from the franchise specialists we bring in to work with us, here are the answers you need.

Q1 What are the most important things you need to do when starting a franchise venture?

A1 Contact as many other franchises as possible. Ask them about their experience in the franchise system and whether there are any issues. Obtain the franchise disclosure document from the franchisor and have it professionally reviewed.

Q2 What are some of the warning signs for a dodgy franchise deal?

A2 If you're given no franchise disclosure document, which is mandated by the Franchising Code of Conduct, and unsubstantiated earnings figures.

Q3 What are the ways franchisees are most often taken advantage of?

A3 Franchise problems arise for two reasons. Either the franchisee has not been advised correctly. Or, the franchisor is not fulfilling their obligations. Often, franchisees are hurt by hypothetical earnings forecasts, by inadequate training, or by the franchisor using marketing fund money for other purposes.

Q4 How are franchisees protected under the law?

A4 It is harder for a franchisor to terminate a Franchise Agreement compared to a party terminating a regular contract. Also, there is a dispute resolution procedure that must be followed.

Q5 What actions should franchisees take when they think they are being mistreated by franchisors?

A5 Look at the advice you were given initially – check for negligence, deceit, and misrepresentation. Remember, it is essential to consult with a specialist lawyer before referring a complaint to the ACCC.

Q6 What are common mistakes made by franchisees?

A6 The two most common mistakes made are franchisees not doing proper due diligence before purchasing, and not allowing reasonable time to think and cool off.

Q7 What are your obligations as a franchisee?

A7 You are obliged to see out the term of the franchise and any lease unless there are good legal reasons to terminate.

