



Opt out of working for the man

Bina Brown

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You've had enough of working for the man - or the woman - but you're not yet ready to launch a business totally by yourself. Franchising might provide the perfect solution. And it might not, so make sure you do your research and find a business that suits your needs.

Franchising may be one of the fastest-growing sectors of the Australian economy but according to one experienced lawyer every "system" would have a disgruntled franchisee.

According to the Franchising Council of Australia, franchising is not a business itself but a way of doing business. It is essentially a marketing concept - an innovative method of distributing goods and services.

Something that often seems to be misunderstood is that the franchisor is the owner of the business - not the franchisee. The franchisee has the right to market and distribute the franchisor's goods or service and to use the business name for an agreed period of time.

Often there is no opportunity to sell the business that you may have spent years building up.

Do your homework

As with any investment, it pays to do your research. Thomson Playford partner and franchise law specialist, David Gaszner, says one of the most important documents a potential franchisee can read is the disclosure document. Be very wary if one doesn't exist, because this document is prescribed under the Franchising Code of Conduct - which is another very important part of the self-regulatory environment under which franchisors and franchisees exist.

The disclosure documents should set out in detail the history of the franchise, the obligations of franchisees and whether any disputes have arisen between the franchisor and other franchisees.

"It is extraordinary how often the disclosure document is considered just something attached to the agreement," Gaszner says. "The franchisee should use the disclosure document as the basis to ask further questions and to talk to as many other franchisees about

their experience.

"There would not be any franchise system that wouldn't have a disgruntled franchisee and often one that is bitter about their experience, so people have to weigh up all the information they receive."

On that note, Gaszner says, he is often amazed at how much people will spend getting into a franchise but how they will balk at paying for good advice from the beginning.

"Consider the cost of getting proper advice from the beginning as part of the investment you are making in your future," he says.

The right fit

Key to understanding franchising is knowing what you can and can't do as a franchisee of a chosen franchise as well as the sort of support and help you need and can expect.

Ian Krawitz, head of intelligence with franchising research specialist 10 Thousand Feet, says a person's mindset to working can make a difference to the system he or she chooses.

"A salaried employee entering into a franchise will require and expect something quite different to an entrepreneur," he says.

"Salaried employees enjoying good money will want support and guidance and training to ensure they can draw the money they expect from the business. Lifestyle will also be important to them. Someone with an entrepreneurial mindset will also look to systems with brand and support and where they can use their talent to really make it work and leverage what is there."

Of course, it helps greatly to enjoy the business you are in.

"Enthusiasm is a great contributor to success," says HLB Mann Judd's partner of business services, Craig Hughes. "If you feel passionate about the service or business you are more likely to do it well.

"If it doesn't excite you then perhaps you shouldn't take it on."

Remember, your success or otherwise can have a big impact on the franchise system.

Dispute resolution

Disagreements can arise on any number of issues including rent, training, support and supply of products. Good communication between

a franchisor and franchisee might see the issue resolved amicably and quickly.

However the Franchising Code of Conduct provides that any party to a franchise agreement may refer their problem to a mediator of their choice or to the Office of the Mediation Adviser to appoint a mediator.

If a franchisor or franchisee requests a mediation, the other side must attend and try to resolve the dispute. Refusal to attend is a breach of the Code and possibly also a breach of the Trade Practices Act.

Should one side not attend mediation then the other side may start legal proceedings for breach of the Trade Practices Act. Alternatively, it might contact the Australian Competition and Consumer Commission asking it to investigate and take action.

Starting from the grounds up

CASE STUDY

Small business aspirants who like the aroma of coffee but have no desire to serve it or run a coffee shop might find one of Australia's fastest-growing franchises appealing.

Xpresso Delight franchisees put commercial-grade coffee into automatic coffee machines that are located in carefully chosen business locations.

The business is charged according to the number of coffees drunk by its employees and visitors, with the typical charge about \$1 a cup.

Compare that to the \$3-plus many people pay at least once a day from a coffee shop or cart and the time employees are spending out of the office and Xpresso Delight co-founder Stephen Spitz reckons he has a winning formula.

"We have a product and a service which is in constant demand which we can't satisfy," Stephen says. "We used to go and look for locations; now we have businesses coming to us. We have five or six inquiries a day from companies looking for our service."

Xpresso Delight franchisees have to invest a minimum of \$59,000 plus GST, which includes a \$20,000 franchise fee, two days of training and five coffee systems that are then put in businesses with a minimum of 20 employees. Franchisees service the machines weekly and supply coffee, cups, sugar and the chocolate for a cappuccino and invoice the business directly on a per coffee rate.

In four years, Xpresso Delight has signed up 71 franchisees servicing more than 650 machines around the country. It expects to supply about 4.5 million coffees this year.

This story was found at:

<http://www.moneymanager.com.au/articles/2008/04/19/1208025540911.html>