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Franchise changes add to legal fees

CHANGES to the Franchise Code of Conduct have cost franchisors \$9.42 million in legal fees since March last year, a study reveals.

A survey of more than 100 Australian franchisors by market intelligence organisation 10 Thousand Feet showed the money was spent updating franchise agreements and legal documentation to comply with the changes.

Almost half of those surveyed spent \$5000 or less updating documents, with only 7 per cent incurring costs of \$50,000 or more.

The new code, under which franchisors must provide a detailed disclosure document to prospective franchisees, has had little effect on the way many franchisors conduct their business. A third of franchisors included in the study said the changes had not affected their recruitment processes.

Head of intelligence Ian Krawitz said the survey results reflected good business practices in the franchise sector.

"The changes to the Code of Conduct were designed to increase the transparency, quality of disclosure to existing and prospective franchisees," he said.

"The fact that many franchisors have experienced little or no impact on recruitment processes should be seen as a positive because it indicates that the industry was already operating with a high level of integrity."