

Franchising

What you really need to know but they won't tell you.

With businesses struggling at a time of economic stress, and with the recent pandemic we as small business owners suffered dearly. When other businesses were closing and people started to think about their future some looked at franchising as they thought this was a good option to have their own business and run it themselves to at least have an income and a job. But in the world of franchising it isn't all as good as they make out.

When you first look at franchising you are enticed by the words,
Own your own business
Be your own boss
Choose your own hours
Work when you want to work
Be backed by a brand name

You think to yourself well what could go wrong?

When in reality,
You have no, or little say in the business
You are not your own boss on major decisions
You are told what to sell, and at what price
You have to buy from suppliers that the franchisor nominates
You are invoiced by the franchisor not the company you buy your products from, so you never really know how much stock costs
In some cases, you work 7 days a week, just to make a small profit
You are open every public holiday (Except Christmas day and Good Friday)
Work weekends, no sick pay or holiday pay

At the beginning of your journey you, as a franchisee put in your hard-earned savings to not only pay for the franchise fee but to build the store, which again you have no say in how the design of the store should look.
You also pay all the set-up costs, as well as all legal costs.

The franchisor put's in nothing

At the end of a long hard week the franchisor then takes (in our case) 11% of your sales, so once you have paid 11% to the franchisor, paid your bills to the nominated suppliers, paid your rent (which if you're in a shopping centre is very high) paid for utilities, staff wages if you have any, you're lucky if you get to pay yourself.

Since being in the franchise that we are currently in we have had numerous CEO's each one coming in to make their mark by using our marketing money to change our logo, which in turn then means we have to change the design of uniforms, packaging e.g coffee cups, paper bags, chip boxes, etc all of which costs money (which belongs to the franchisees not the franchisor) The franchisor invariably decided where the marketing money is spent and over the years I've seen money squandered on poor campaigns.

You then have a FAC council, who is made up of members from your franchise, but you never get to hear what is discussed as no minutes are sent out. It also states in the franchise agreement book that the franchisor can overrule any decisions made by the FAC so what really is the point?

Over the years we have had meetings with
Christian Porter 13.02.2018 (Local Federal Minister)
Paul Papaila (left message at his office) Small Business Minister
Craig Laundy (Small Business Minister) 7th June 2018 met him with Christian Porter at The Wanneroo Business Association in Mindarie
Our local MP
Been to a lawyer when things got bad (2015)
Been in touch with the Franchising council
Spoke to Peter Crawford (Small Business Development Corporation)
ACCC (2017) but they said they have no power to help us their advice was to go legal.
Spoke to Senator Louise Pratt (Aug 2017)
Send an e-mail to Kate Carnell (Ombudsman) 10.5.2018 but no reply.

Not one of them has been able to help find a solution to our problem, it seems that no one really has any power to change things as it all needs to go through The State Government at Canberra.

There was a commission into Franchising and I know a report was made but so far nothing seems to have been done about any of the changes that were

recommended. I feel this was a waste of time and money, and would like to know how many people who were involved in this commission actually have or have worked in franchising.

Once your time is up and you decide not to renew your franchise agreement, (not always through your own choice) you then have to pay again. More legal fees to end the agreement and also pay to have the store you built in the first place with your own money to then be de-fitted and put back to how it was before you even went into business, again nothing from the franchisor it's all your money. It's then down to you to try and sell equipment from your store as you have to remove it for the de-fit. The franchisor gives very little help other than to say you can put it on gumtree or market place, which obviously has very little value compared to what you paid for it at the beginning.

Franchising needs to be looked at in a much deeper way as the only people guaranteed to making money are the franchisors. For franchising to be part of the future for small business things need to change, not in a year or two but now. I would like to acknowledge that there are some franchises that operate successfully for all concerned, however my experience has led me to write to you.

I would very much like to be involved in helping to re-write the rules for franchising as I feel that unless you have been in a franchise you don't really know what goes on.

As a franchisee you have to have a duty of care (quite rightly) to whomever you employ. There doesn't seem to be any responsibility from the franchisor for the duty of care to their franchisees. For example, there is a restriction on the number of hours staff can work before breaks, but the franchisor doesn't care how many hours a franchisee might have to work to try to balance the books regardless of one's health.

We have seen so many franchisees in various franchises lose their business, their investment money, their homes, their marriages and in some cases their mental health.

Franchising is one of the biggest job opportunities and helps to keep the economy going, yet it is the biggest loser for the franchisee, so how does this help for the future of jobs and small business owners.

One other thing that really needs to be looked at is high rents in shopping centres as this is where a lot of franchise businesses are, and you only need to look in your local centre now and see how many stores are closing down.

I look forward to receiving your reply, and would like to say Thank you for taking the time to read this.

Regards
Lorraine Perkins (in WA)

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