

# FRANCHISES ON THE MOVE

PETER SWITZER



**D**ESPITE the occasional flare-up in the world of franchising between franchisors and disgruntled franchisees that becomes a public brawl in the media, the franchising sector has many success stories worth crowing about.

The Franchise Australia 2008 Survey conducted by Griffith University found there was a 14.6 per cent growth rate in franchise systems from 2006 to mid-2008. Further, franchised units represent some 3.7 per cent of all small businesses in Australia and the growth rate of franchise units is 15.4 per cent.

And in a trillion-dollar Australian economy, total sales turnover for the franchising sector was estimated to be \$130 billion, while about 413,000 people were employed in franchise businesses.

This is the snapshot that the Franchise Council of Australia loves to get out to the public and it is something to beat one's chest about.

"These statistics illustrate business confidence in the franchising sector and the robust nature of the franchising model, which has a history of performing relatively well compared to the broader small business sector even when economic indicators are pointing down," FCA executive director Steve Wright said. "The survey findings are a sign of the confidence in the franchising sector at a time when global and domestic economic indicators are in decline."

Wright also was happy that disputes had fallen.

"Another pleasing feature is that the statistics show a decline in disputation — a result, we believe of greater awareness of the obligations of all participants in the sector — franchisors, franchisees and advisers," he said.

The hard facts show that disputes in

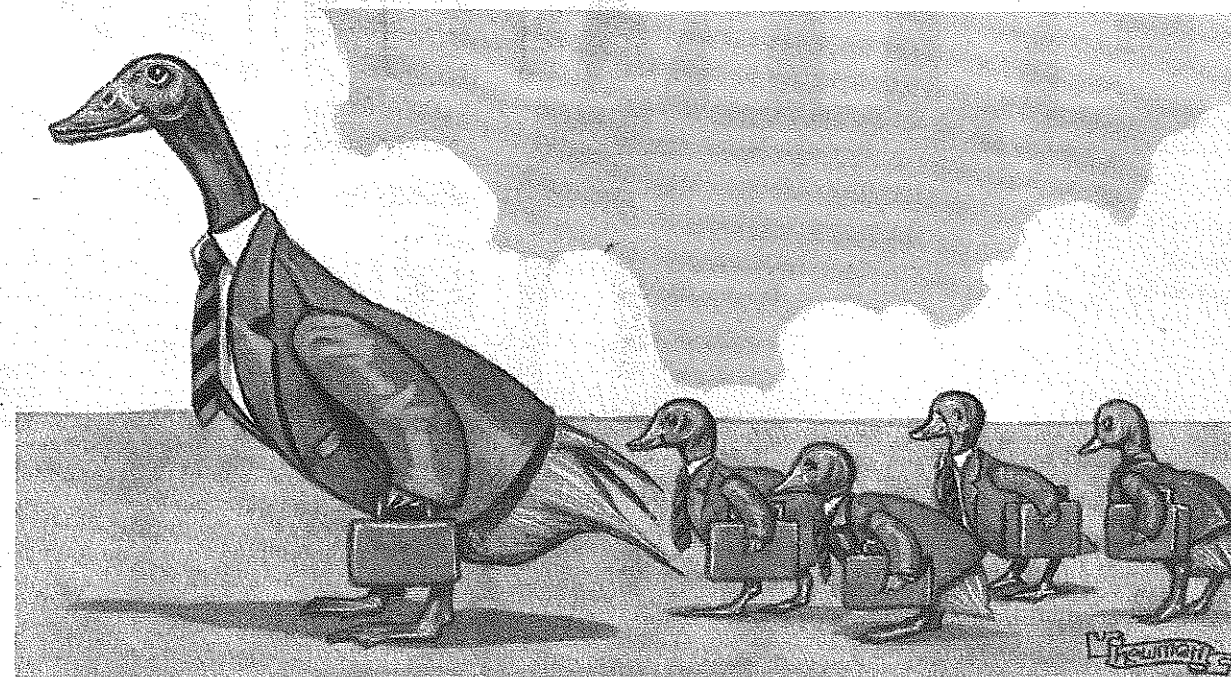


Illustration: Paul Newman

the franchise sector have declined, with franchisees in dispute estimated at a low 2 per cent. The research says these disputes tend to be in the larger, older and more complex systems.

Wright brings realism to the job and indicates to me that he recognises there are some problems in franchising that need to get fixed.

"It is very encouraging to see lower levels of dispute in the sector, particularly at a time when we have had three franchise systems breakdowns and inquiries into franchising in two states, WA and SA," he said.

"This is reinforced in recent statements by the sector regulator, the ACCC, which has noted a downward trend in complaint."

The goal for next year has to be to cut the disputes down from 2 per cent and we need the Australian Competition and Consumer Commission to

perform better. Thankfully, they have recruited well with small business expert Michael Schaper now in the team.

I also believe federal Small Business Minister Craig Emerson is up for making a good franchise system great. There will always be disputes in franchising, but a better system will stop innocent franchisees being bullied by unreasonable franchisors and even banks.

The flipside is that the dispute resolution process has to expose hopeless franchisees who might have over-borrowed, were not prepared for hard work or tough shopping centre management or could have marriage problems.

The outlook for small business is set to be tougher with economic growth to slow and job losses expected. However, recent interest rate cuts will

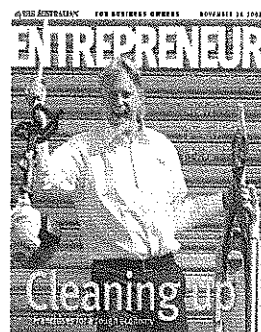
soften the economic blow coming out of the global financial mess.

History says that when people lose their jobs, they can use golden handshakes and even their super to buy franchise businesses. Many of these people are virtually buying themselves a job and it can be a very hard one.

If this is the gamble someone wants to take, they should make sure they go into a franchise system that is virtually recession-proof.

One last point. A cheap franchise could be mowing lawns, but if many once-busy customers now are out of work or getting less overtime, they might have time to cut their own lawns. The lesson is — do your homework before you invest in a franchise.

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#### Front cover:

Bill Vis, founder of VIP Home Services, at the company's head office in Adelaide. The firm has weathered a number of downturns since 1972.

Picture: Kelly Barnes

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**R**OD Jones, founder and managing director of education services provider Navitas, was last night named the 2008 Ernst & Young Entrepreneur Of The Year. The West Australian-based entrepreneur took the title ahead of 24 other regional winners from around Australia at a dinner in Sydney.

Jones founded the innovative education business in the mid-1990s, establishing private colleges on university campuses to provide English language tuition and transition support for international students.

Today, Navitas is the largest provider in Australia of university pathway education, teaching more than 12,000 students on campuses at 10 universities around the country. It is also the largest provider of

## LANGUAGE COLLEGES SECURE TOP GONG

English language programs to international students, teaching about 16,000 students each year.

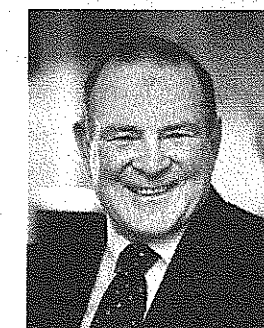
Jones has also taken the concept globally, establishing colleges on university campuses in Sri Lanka, Kenya, Zambia, Canada, Britain and Indonesia. Through a contract with the Australian Government, Navitas also provides English language and cultural adjustment programs to about 25 per cent of all new migrants coming to Australia.

Jack Cowin, chairman of the 11-person national judging panel, said Jones's leadership and entrepre-

neurial spirit, together with the innovative model, had positioned Navitas as a substantial and highly valuable international provider of education services.

Winners in other categories were Torsten Ketelsen of GMA Garnet Group, Mark Newbold of Strategic Marine, Karen Cariss of PageUp People and Adam Garone of The Movember Foundation.

Jones will now go to Monte Carlo in May, along with entrepreneurs from more than 50 other countries, to represent Australia at the 2009 World Entrepreneur Of The Year.



Innovative: Rod Jones