

### What else?

Please regard the advice of professionals such as Accountants, Lawyers and Business Advisors as an investment not a cost. Our web site lists the Members that practice regularly in this specialist field. Most Franchisors will insist that you do not proceed without the appropriate professional guidance.

We commend you on your current research and encourage you to undertake more. For example, The C.E.O. of the Franchise Council of Australia, Richard Evans, has a publication that is available on the Franchise Council of Australia stand for only \$29.95



We trust you found this handout of value and our contact details are;

#### Franchise Council of Australia

PO Box 2195  
Malvern East VIC 3145  
Phone: 1300 669 030

This document was compiled by Phil Blain, Victorian State President and National Board Member of the Franchise Council of Australia. Phil Blain is also a Principal of Franchise Alliance.

## What to know before becoming a Franchisee.



# What should I ask?

If you are thinking of becoming a Franchisee then we, as the sector's primary educators, believe you will find the information included in this handout beneficial by helping you select the franchise that is right for you.

1. Our first piece of advice is that you "Never sign without this sign" as our Franchisor Members are bound by our Code of Ethics. Our Members will have our logo clearly displayed above their stands.
2. It is imperative that you familiarize yourself with the "Franchising Code of Conduct". This is part of the law covering franchising under the Trade Practices Act and is largely designed to protect the interests of prospective Franchisees just like you. Your solicitor will help you with this in due course, but you can download copies from our web site [www.franchise.org.au](http://www.franchise.org.au). The watchdog for the sector is the A.C.C.C. and they have some excellent material on their stand or you can visit their web site [www.accc.gov.au](http://www.accc.gov.au) and go to "Business rights and obligations" and then to "Franchising".
3. What now follows is a series of questions, which you should consider posing whilst choosing which franchise is best for you.
  - Has the Franchisor been in business for a reasonable period of time? At the very least they should have run a pilot operation under franchise conditions to prove their model.
  - How much is the up front Franchise Fee? A higher fee does not necessarily represent a better offering. Remember there are many other costs in going into business so you should make sure you have some money behind you (working capital).
  - How much are my weekly/monthly fees? Are they a percentage of purchases or gross revenue, or are they a flat fee? Don't assume a lower fee is better value; you need to know what support the Franchisor will give you in return for these payments. You should satisfy yourself that you would get value for what you will pay; just like any other transaction.
  - How long is the franchise term for and can it be renewed?
  - Has the Franchisor's brand been established, trademarked and protected?
  - What training in special and general business skills will be given, not just at the start but also for the life of the franchise?

- What administration and management support will the Franchisor provide?
- How is advertising and marketing support for the brand managed?
- Is there a detailed Operations Manual and on-line support for you as a Franchisee?
- Will you receive a territory and will it be exclusive?
- Is there wide public awareness and acceptance of the product or service? Beware of products or services that have no scope for development. Avoid businesses in declining markets and avoid "fads".
- In franchising the general rule is that transparency is the best policy and the best people to address questions to are the existing Franchisees. You may like to ask them: Were they satisfied with the launch support? Does the Franchisor keep promises, particularly with regard to long-term support? Are you enjoying the business? Are you making the money you expected? How accurate were any financial projections? Please be aware that many Franchisors will not supply projections but they should be able to give historical data or the rationale behind their assumptions.
- The Franchisor should be happy to supply a list of Franchisees. If not, are they hiding something?

There are many more questions that you will need to pose in your journey as no franchise is without risk, as is any business. It is also very important that you do some critical self-analysis.

- a) Do you have the capacity, desire, skill and temperament to run your own business?
- b) Do you have special interests, skills and aptitudes? Are you prepared, to work hard for long, unsociable hours?
- c) Can you live with the burden of borrowed money if you have to?
- d) Are you prepared to co-operate and work within the disciplines of the franchise? Individualists are generally not suited to franchising, you should enjoy a team environment.
- e) Do you mix well with people and do you have the support of your family?