

Towards Conflict Resolution

Australian Survey 2009



Towards Conflict Resolution Australian Survey 2009

Prepared by

Lorelle Frazer

Jeff Giddings

Scott Weaven

Debra Grace

Anthony Grace



Asia-Pacific Centre for Franchising Excellence

Towards Conflict Resolution 2009

Copyright © 2009
Griffith University

Enquiries may be directed to the authors via:

Professor Lorelle Frazer

Asia-Pacific Centre for Franchising Excellence
Griffith University
Brisbane Q 4111
Tel: +61 7 3382 1179
Fax: +61 7 3382 1190
Email: L.Frazer@griffith.edu.au

Dr Scott Weaven

Asia-Pacific Centre for Franchising Excellence
Griffith University
Brisbane Q 4111
Tel: +61 7 5552 9216
Fax: +61 7 5552 8085
Email: S.Weaven@griffith.edu.au

Professor Jeff Giddings

Asia-Pacific Centre for Franchising Excellence
Griffith University
Brisbane Q 4111
Tel: +61 7 3735 6479
Fax: +61 7 3735 5599
Email: J.Giddings@griffith.edu.au

Associate Professor Debra Grace

Asia-Pacific Centre for Franchising Excellence
Griffith University
Brisbane Q 4111
Tel: +61 7 5552 8027
Fax: +61 7 5552 8085
Email: D.Grace@griffith.edu.au

Acknowledgments:

The authors are grateful for the following support:

Research assistance provided by Anthony Grace.

Research grant funded by the Australian Research Council and the Australian Competition and Consumer Commission.

The *Asia-Pacific Centre for Franchising Excellence* was formed at Griffith University in 2008. Its vision is to be the leader in franchising research, teaching and learning in the Asia-Pacific region and for Griffith to be synonymous with franchising excellence.

The Purpose of the Centre

- To strengthen Griffith's stature as national and Asia-Pacific leader in the field of franchising research, teaching and training;
- To identify and form intimate relationships with national and regional funding sources;
- To conduct leading-edge research which leads thinking and provides leadership and advice to Government and industry;
- To work synergistically to increase the capacity and capability of research;
- To be the acknowledged focal point for Government, industry and media on franchising issues;
- To encourage and nurture new academics in this field; and
- To have a highly recognisable Centre that is synonymous with franchising in Australia and Asia-Pacific and which contributes to Griffith's brand equity nationally and internationally.

Academics and research students from the *Asia-Pacific Centre for Franchising Excellence* work closely with industry to broaden the sector's knowledge about franchising.

Asia-Pacific Centre for Franchising Excellence

www.franchising.edu.au

Table of Contents

Asia-Pacific Centre for Franchising Excellence	4
Executive Summary	6
Background	8
Conduct of the survey.....	8
Survey results	9
Section A – Prior entry	9
Information search	9
Information dissemination	13
Section B – Franchise relationship.....	17
Expectations confirmation.....	17
Trust.....	21
Communication openness	25
Conflict Resolution.....	30
Franchise agreement	35
Section C – Franchisor support	39
Perceived support.....	39
Relationship satisfaction.....	48
Perceived conflict	52
Handling of disputes	56
Hypothesised model	59
Section D – Formal conflict management	60
Years in relationship	60
Causes of conflict.....	63
Conflict resolution methods	65
Conflict resolution outcomes.....	67
Formal processes for dealing with conflict	69
Organisational characteristics.....	71
Pre-entry research	72
Section E – Demographic and background information	75
Industry.....	75
Day-to-day operations	77
Franchise unit demographics.....	79
Gender, age and education	85
Franchise system demographics.....	88
About the authors	89

Executive Summary

Towards Conflict Resolution reports the findings from a survey of Australian franchisees conducted by researchers at Griffith University's Asia-Pacific Centre for Franchising Excellence. The study was conducted to obtain information about the major causes of conflict in franchising from a franchisee perspective. It is the first major study of this kind undertaken in the Australian franchising sector. Whilst it is widely acknowledged that some conflict in franchising and other business relationships is inherent, and may even be beneficial in terms of flagging issues that need addressing, this study investigates the perceived level of conflict and its causes.

Section A of the report addresses the level of preparation by franchisees prior to entering the franchise agreement. Whereas more than half the respondents felt that they proactively sought out information about the franchise before making a commitment, in hindsight, only just over one third felt they had conducted sufficient due diligence prior to purchase. Further, almost half the franchisees admitted to relying heavily on their gut feeling in order to make a decision. Nevertheless, a majority of franchisees felt that the information provided to them by their franchisor was satisfactory. In brief, it is concluded that many prospective franchisees do not conduct sufficient due diligence and do not rely heavily on factual data in order to make an informed decision about entering a franchise system.

Section B canvasses franchisee opinions about the franchising relationship. The majority of franchisees reported that their preconceptions about franchising were different to reality. About one third stated that their expectations were not met, whereas the experiences of 42 percent of franchisees were as they expected.

Whilst a majority of franchisees reported that they trusted their franchisor, more than a quarter were mistrustful. Similar findings were reported in relation to franchisor-franchisee communication, indicating that franchisors may need to pay more attention to nurturing the relationship with their franchisees. Franchisee responses relating to conflict resolution were quite mixed, with almost as many feeling that conflict was dealt with fairly and openly as those who did not. In contrast, a clear majority of franchisees felt that the franchise agreement enabled them to operate their businesses without undue interference by the franchisor.

Section C sought franchisees' opinions on the level of support provided by their franchisor and their degree of satisfaction with the franchising relationship. Whilst the majority of respondents rated franchisor support positively, around one quarter disagreed. A similar pattern of results was reported with regard to relationship satisfaction. Whilst most franchisees were satisfied, a minority of about one quarter of respondents were feeling disaffected. Opinions were more evenly divided when franchisees were asked about how effectively disputes were handled.

Section D explored franchisees' experiences with conflict and conflict management. Slightly more disagreements requiring resolution were reported by franchisees in their second or third year of operation than their first year, but the association between length of time in the franchise and reported level of conflict was found to be insignificant. The most common means of resolving conflict were via contact with franchisor staff, by negotiation, and through contact with other franchisees.

The major causes of conflict reported by franchisees were lack of support from the franchisor, compliance with the system, issues relating to franchise fees, communication problems, misrepresentation issues, marketing issues and profitability. Analysis of their explanations for the causes of conflict revealed that most franchisees were unhappy with the level of perceived support offered by franchisors. Around one third of respondents indicated the conflict had been satisfactorily resolved. Slightly more than half the franchisees indicated that their franchisor had a formal process for dealing with conflict but only one quarter had been provided with any formal training about dealing with conflict. Hence, franchisors may need to focus on conflict management training for staff and franchisees, as well as designing systems for efficiently managing conflict when it arises.

Background

This report outlines the results of a national survey of Australian franchisees that investigated conflict within the franchising relationship. The research was conducted as part of an Australian Research Council (ARC) Linkage Project by Griffith University, with the support of an industry partner – the Australian Competition and Consumer Commission (ACCC).

Conduct of the survey

The survey was conducted from July to October 2009 and the questionnaire was pilot tested with a sample of 50 franchisees. The sampling frame consisted of 560 franchise systems randomly selected from the population of 1100 business format franchisors, thereby covering a cross section of industries. From these systems, some 3000 franchisees were randomly selected using Telstra's White Pages on the internet.

A total of 345 usable surveys were returned resulting in a response rate of 11.5 percent.

Survey results

Section A – Prior entry

This section sought franchisee’s opinions about the *information* they obtained *prior* to entering their franchise. The responses were recorded on a scale of 1 to 5 (strongly disagree to strongly agree) indicating the level of agreement of each statement.

Information search

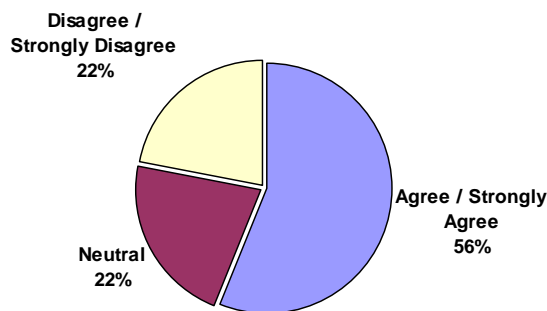
The first question asked franchisees whether they were proactive in conducting research and seeking advice about franchising before they purchased their franchise. Later in the survey franchisees were asked where they obtained advice and information (Question D9 – page 72) providing more comprehensive analysis around information gathering prior to entry into franchising.

Over half the franchisees (56 percent) reported that they were *proactive* in seeking out information before they purchased their franchise. Some 22 percent of franchisees stated that they were not proactive while the remainder were neutral on this topic.

<i>Prior to purchasing my franchise:</i>	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
A1 - I was proactive in seeking out information about franchising from different sources.	8.4	13.5	21.6	28.8	27.7

Note: A total of 347 franchisees answered this question.

A1 - Information search

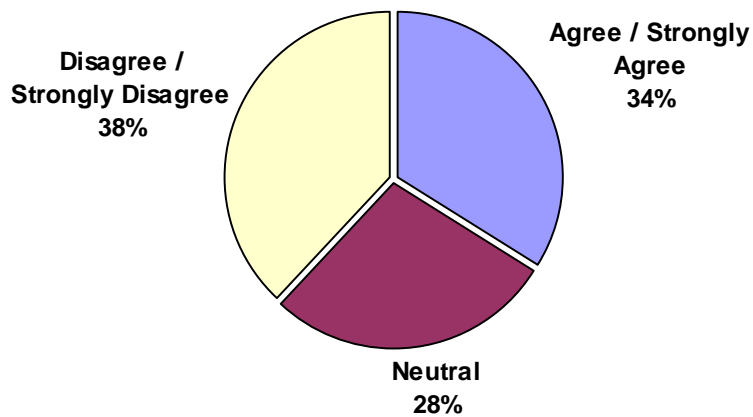


Just over one third (38 percent) of franchisees felt that they were sufficiently *diligent* in gathering information prior to purchasing their franchise. However, 34 percent of franchisees indicated that they should have been more diligent when gathering information prior to entering into the franchising agreement. A further 28 percent of franchisees responded neutrally.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
<i>Prior to purchasing my franchise:</i>	Percent				
A2 - I should have been more diligent in gathering information, prior to entering the franchising agreement.	18.1	20.1	27.7	18.1	16.0

Note: A total of 343 franchisees answered this question.

A2 - Information search

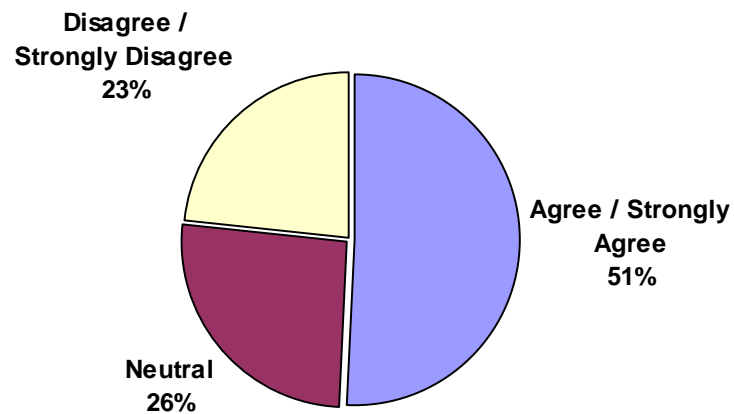


Over half (51 percent) of franchisees indicated that they gathered a lot of *information* before entering into the franchising agreement. Some 23 percent of franchisees did not gather a lot of information and 26 percent of franchisees stayed neutral on this subject.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Prior to purchasing my franchise:	Percent				
A3 - I gathered lots of information before entering the franchising agreement.	4.0	19.2	25.9	27.9	23.0

Note: A total of 344 franchisees answered this question.

A3 - Information search

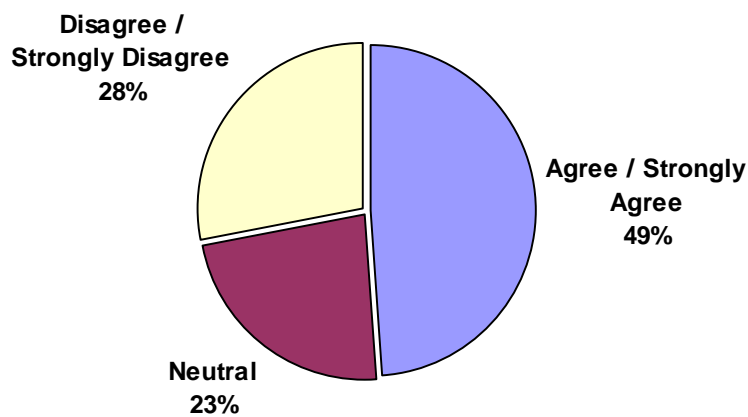


The next question explored the decision making process and whether franchisees were likely to allow emotion and *gut feelings* to influence their choice of franchise. Just under half (49 percent) of franchisees indicated that they relied heavily on their gut feeling when they made the decision to go into franchising. A further 23 percent of franchisees were neutral and 28 percent of franchisees stated that they were not heavily influenced by their gut feelings while making decisions.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Prior to purchasing my franchise:	Percent				
A4 - I relied heavily on my gut feeling when I made the decision to go into franchising.	12.8	15.9	22.6	31.3	17.4

Note: A total of 345 franchisees answered this question.

A4 - Information search



Information dissemination

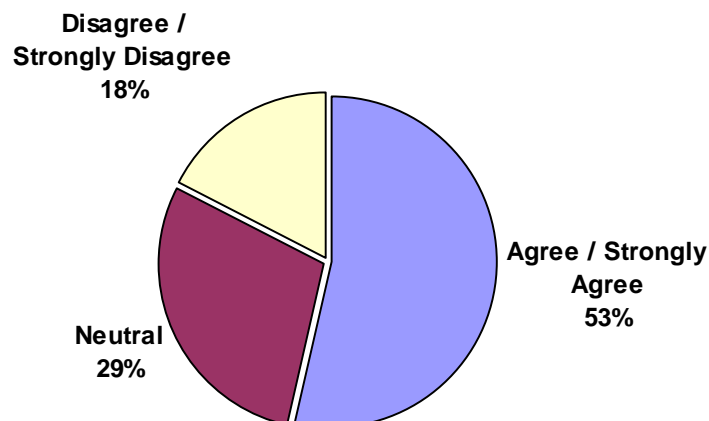
Questions A5 to A8 probed the degree to which franchisees perceived that appropriate and relevant information was provided by the franchisor, prior to purchase.

Some 53 percent of franchisees indicated that information provided to them *prior* to entry was satisfactory. A further 18 percent indicated that the information provided was not satisfactory, while 29 percent stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Prior to purchasing my franchise:	Percent				
A5 - The information given to me by my franchisor, prior to entering into the franchise agreement, was satisfactory.	8.1	12.5	28.8	33.7	19.9

Note: A total of 344 franchisees answered this question.

A5 - Information dissemination

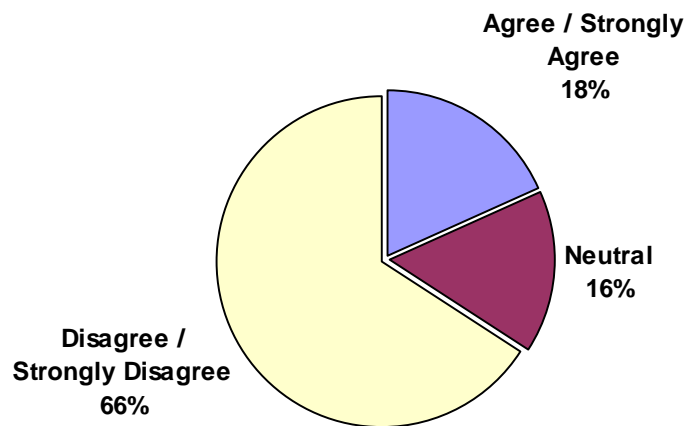


Two-thirds (66 percent) of franchisees indicated that they did not feel that their franchisor *withheld* important information from them prior to entry. However 18 percent of franchisees felt that their franchisor may have withheld important information from them while 16 percent stayed neutral.

<i>Prior to purchasing my franchise:</i>	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
A6 - My franchisor withheld important information from me prior to entering into the franchising agreement.	40.9	24.9	15.9	8.4	9.9

Note: A total of 345 franchisees answered this question.

A6 - Information dissemination

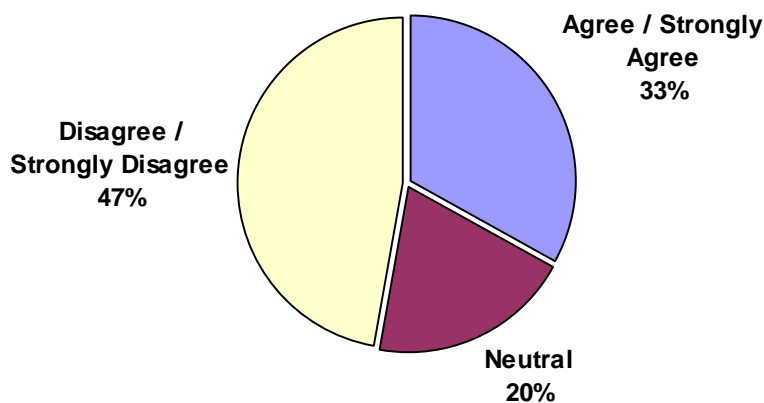


Just under half (47 percent) of franchisees felt they were offered adequate *amounts* of information from their franchisor before they entered into the franchise agreement. One-third (33 percent) of franchisees indicated that they would have liked to have received more information from their franchisor while 20 percent of franchisees indicated a neutral response.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
Prior to purchasing my franchise:	Percent				
A7 - I wish my franchisor had offered me more information before I entered into the franchise agreement.	25.4	21.7	19.9	17.1	15.9

Note: A total of 346 franchisees answered this question.

A7 - Information dissemination

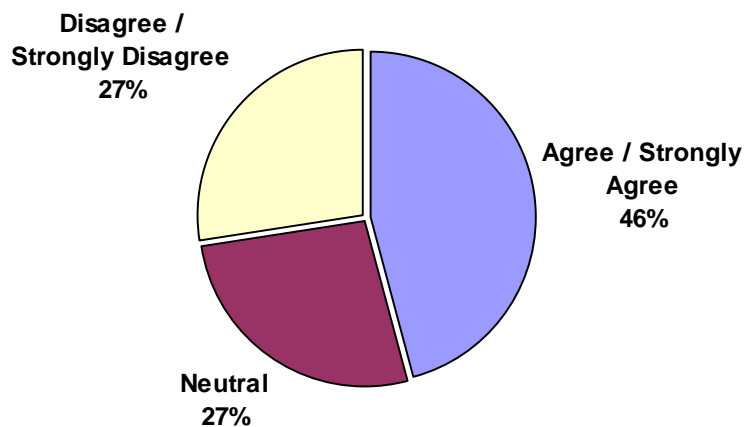


Slightly less than half (46 percent) of franchisees stated that *before* they entered into the franchise agreement, they had all the information that they required. In contrast, 27 percent of franchisees felt they did not have all the information they required while another 27 percent of franchisees stayed neutral.

<i>Prior to purchasing my franchise:</i>	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
A8 - Prior to entering into the franchising agreement, I had all the information I needed.	10.4	17.0	26.8	28.2	17.6

Note: A total of 347 franchisees answered this question.

A8 - Information dissemination



Section B – Franchise relationship

This section sought franchisees’ opinions about their *relationship* with their franchisor and whether their *expectations* about the franchise had been met.

Expectations confirmation

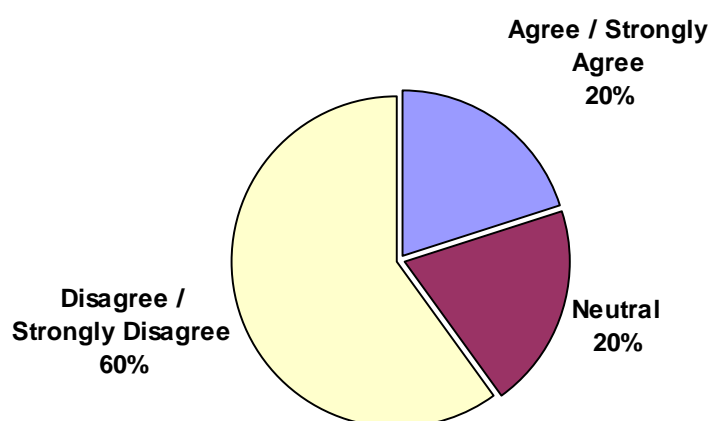
Questions B1 to B4 measured the degree to which the franchisees’ expectations of the franchising experience were confirmed by their actual experience.

Sixty percent of franchisees disagreed that they had *no idea* of what they were getting into when starting franchising. However, 20 percent of franchisees reflected that their understanding of franchising had been lacking. The final 20 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B1 - In hindsight, I had no idea of what I was getting into when I entered into the franchising agreement.	33.2	26.9	19.8	11.2	8.9

Note: A total of 349 franchisees answered this question.

B1 - Expectations confirmation

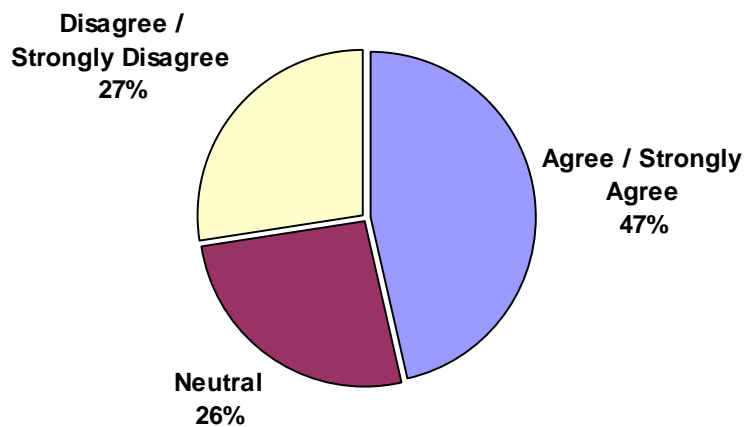


Just under half (47 percent) of the franchisees indicated that their *expectations* of franchising were very accurate. However, 27 percent of franchisees reported a mismatch between their expectations and reality. The remaining 26 percent of franchisees stayed neutral on the issue.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B2 - My expectations of franchising were very accurate.	6.3	21.0	26.2	32.0	14.4

Note: A total of 347 franchisees answered this question.

B2 - Expectations confirmation

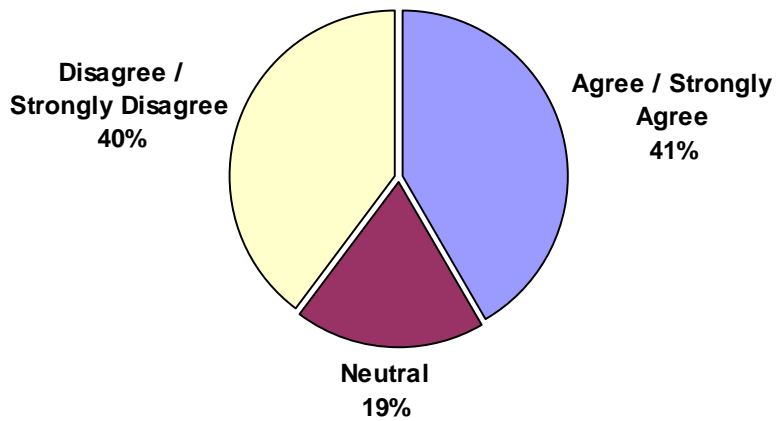


An approximately even amount of franchisees disagreed (40 percent) and agreed (41 percent) with the question asking if they faced any *surprises* upon buying their franchise. The remaining 19 percent of franchisees neither agreed nor disagreed.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B3 - Upon buying my franchise, there were no surprises.	15.7	24.1	18.6	28.5	13.1

Note: A total of 344 franchisees answered this question.

B3 - Expectations confirmation

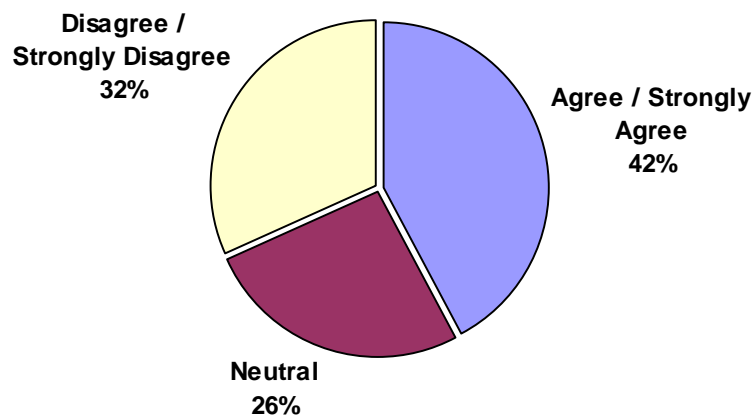


Some 42 percent of franchisees indicated that their experience of franchising matched their *expectations*. However, a further 32 percent of franchisees stated that their experiences and expectations were not similar. Finally, 26 percent of franchisees indicated a neutral response.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B4 - My experience of franchising has really matched my expectations.	13.3	18.3	26.1	31.0	11.3

Note: A total of 345 franchisees answered this question.

B4 - Expectations confirmation



Trust

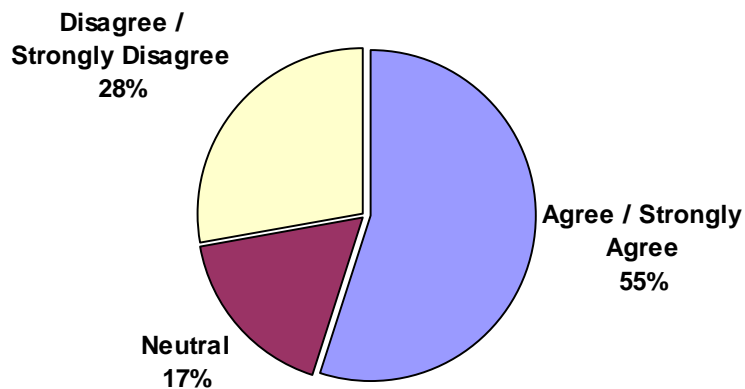
Questions B5 to B8 measured the degree to which franchisees trust their franchisor.

Over half (55 percent) of franchisees felt that their franchisor was *honest* with them. Some 28 percent of franchisees felt that they could not count on their franchisor to be honest in their dealings with them. The remaining 17 percent of the franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B5 - I can count on my franchisor to be honest in his/her dealings with me.	17.2	10.3	17.2	33.3	21.8

Note: A total of 348 franchisees answered this question.

B5 - Trust

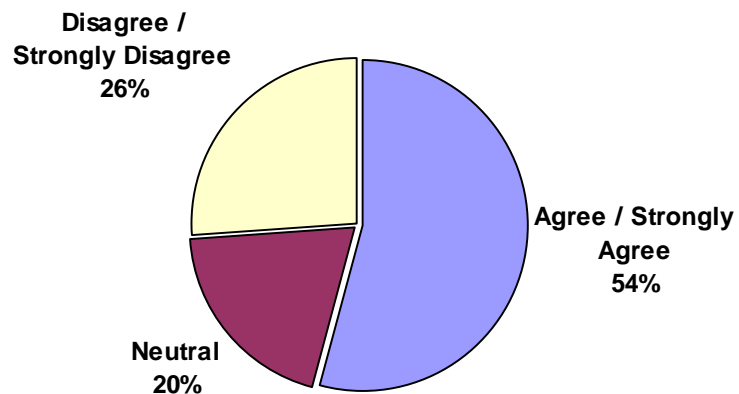


Over half (54 percent) of franchisees felt that their franchisor company would uphold the *commitments* that were made by its staff. Just over one-quarter (26 percent) of franchisees disagreed with the statement. Twenty percent of responses were neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B6 - My franchisor is a company that stands by the commitments made by its staff.	13.8	12.3	19.8	34.4	19.8

Note: A total of 349 franchisees answered this question.

B6 - Trust

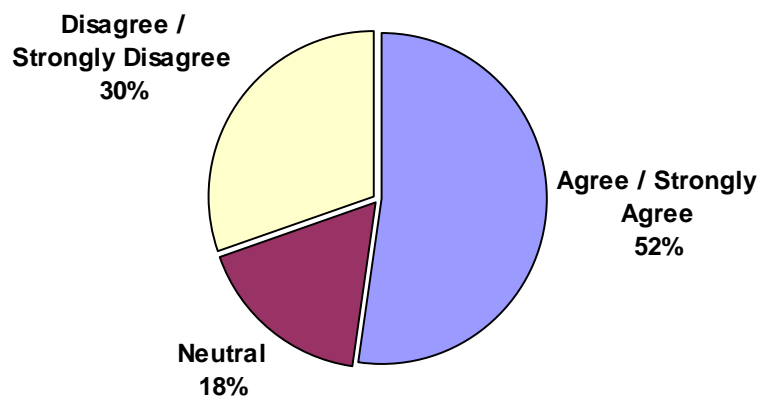


Over half (52 percent) of franchisees indicated that they could rely on their franchisors to keep any *promises* made. However 30 percent of franchisees felt they could not rely on their franchisor to keep their promises. The remaining 18 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B7 - I can rely on my franchisor to keep the promises he/she makes to me.	15.2	15.2	17.5	31.8	20.3

Note: A total of 349 franchisees answered this question.

B7 - Trust

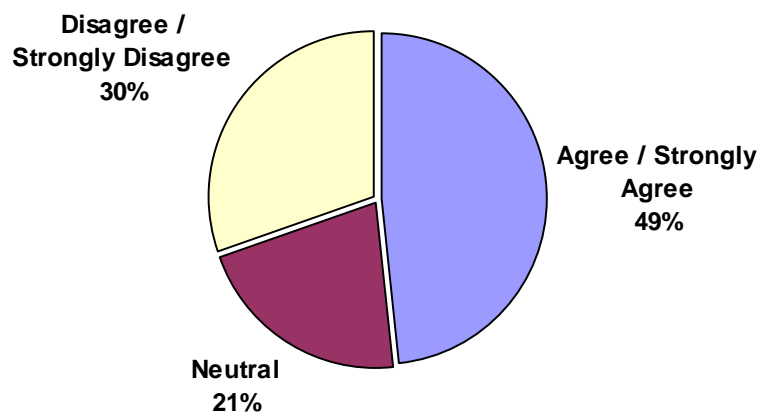


Just under half (49 percent) of franchisees felt that their franchisor could be *counted on* to do what is right. In contrast, 30 percent of franchisees could not count on their franchisor to do what is right and a further 21 percent of franchisees stayed neutral on the subject.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B8 - My franchisor can be counted on to do what is right.	15.5	14.9	21.2	28.4	20.0

Note: A total of 349 franchisees answered this question.

B8 - Trust



Communication openness

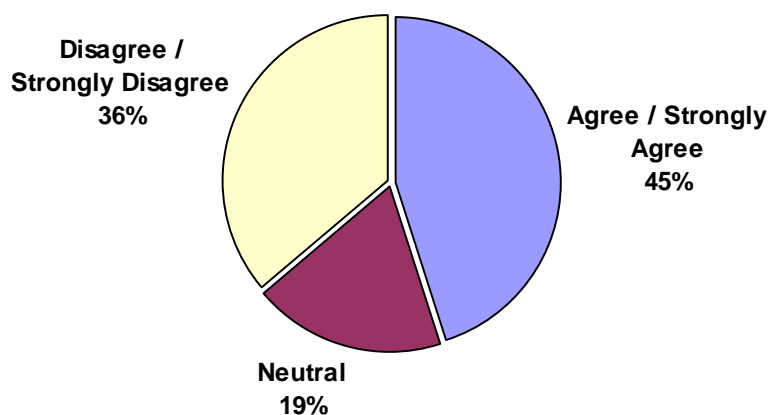
Questions B9 to B13 measured the degree to which franchisees perceived there was open communication to conflict resolution in their relationship with their franchisor.

Some 45 percent of franchisees indicated that *communication* in their franchise was prompt and timely. However, 36 percent of franchisees disagreed with this statement and 19 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B9 - In this franchise communications are prompt and timely.	14.6	21.5	18.9	26.9	18.1

Note: A total of 349 franchisees answered this question.

B9 - Communication openness

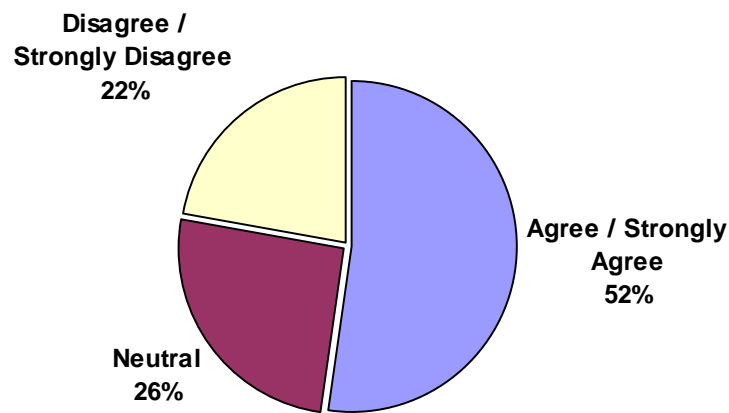


Over half (52 percent) of franchisees felt that information provided in their franchise was relevant to *decision-making*. In contrast, 22 percent of franchisees failed to recognise a link between communication and decision-making. The remaining franchisees (26 percent) did not express their opinion.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B10 - Information provided in this franchise is relevant to decision-making.	8.1	14.2	25.7	35.3	16.8

Note: A total of 346 franchisees answered this question.

B10 - Communication openness

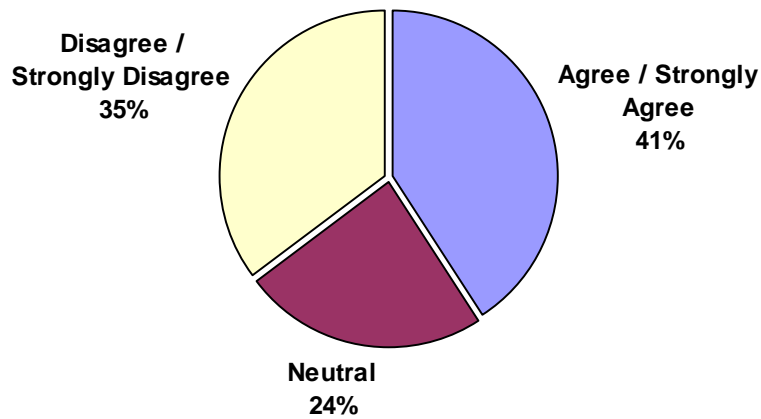


Some 41 percent of franchisees indicated positively that communication within their franchising relationship were *complete*. But a further 35 percent of franchisees disagreed. The remaining 24 percent of respondents were neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B11 - In this franchising relationship communications are complete.	17.3	17.9	23.9	27.1	13.8

Note: A total of 347 franchisees answered this question.

B11 - Communication openness

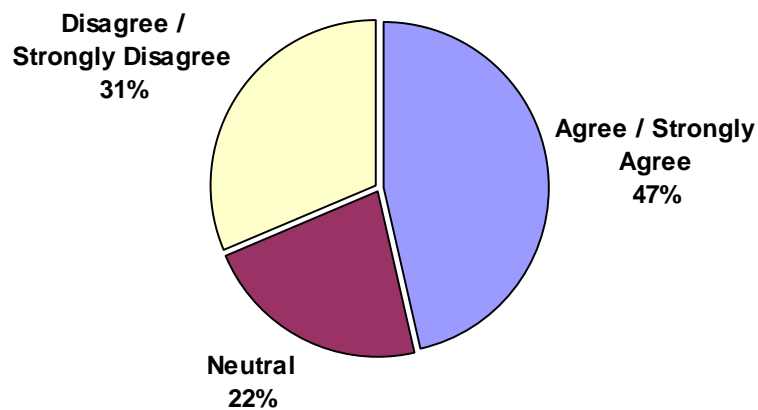


Just under half (47 percent) of franchisees felt that communications were *accurate* within their franchising relationship. Conversely, 31 percent of franchisees indicated that communications were inaccurate. The remaining 22 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B12 - Communications are accurate in this franchising relationship.	13.5	17.8	22.3	31.8	14.6

Note: A total of 349 franchisees answered this question.

B12 - Communication openness

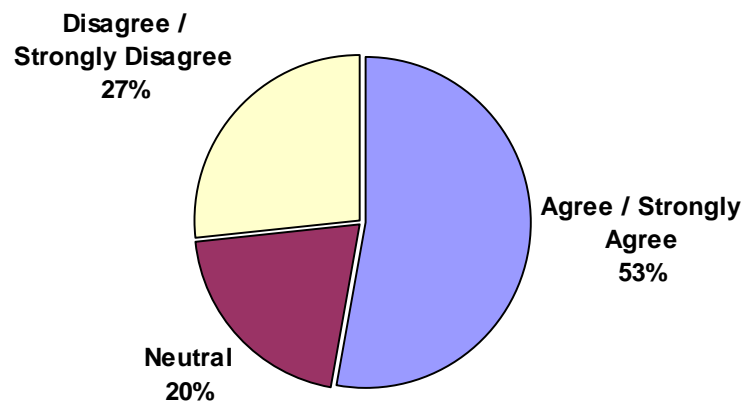


Just over half (53 percent) of franchisees stated that information was *available* within their franchise as it was needed. A further 27 percent indicated that information was not readily available and 20 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B13 - In this franchise information is available as needed.	9.2	17.5	20.4	35.1	17.8

Note: A total of 348 franchisees answered this question.

B13 - Communication openness



Conflict resolution

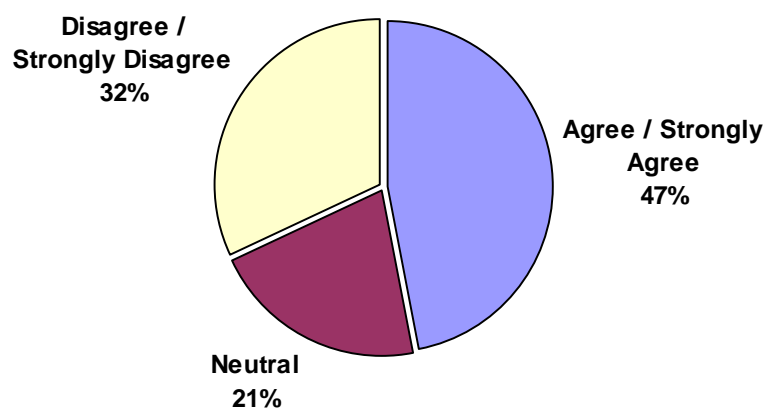
Questions B14 to B18 measured the degree to which the franchisee perceived there to be openness to conflict resolution in their franchising relationship.

Just under half (47 percent) of franchisees felt that conflict was dealt with *openly* in their franchise. Nearly one third (32 percent) of franchisees felt that conflict was not dealt with transparently. The remaining 21 percent did not offer an opinion.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B14 - Conflict is dealt with openly in this franchise.	15.0	16.5	21.1	32.1	15.3

Note: A total of 346 franchisees answered this question.

B14 - Conflict resolution

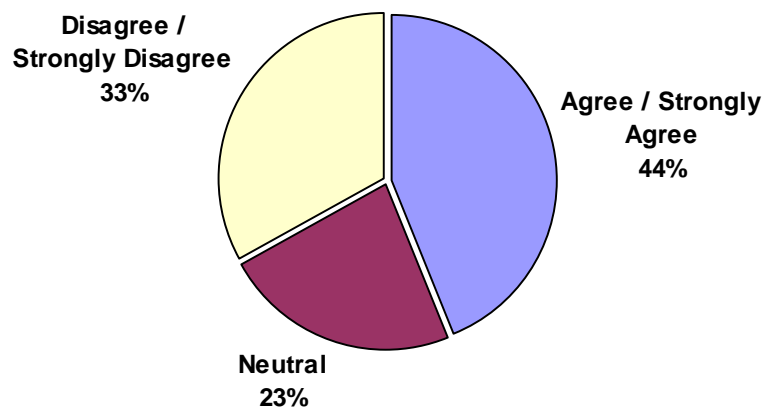


Fully 44 percent of franchisees indicated that *alternative opinions* in their franchise were encouraged and seen as beneficial. Conversely, One-third (33 percent) of franchisees felt that their franchise did not encourage such independent thought. The remaining 23 percent of franchisees stayed neutral on this topic.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B15 - In this franchise, alternative opinions are encouraged and seen as beneficial.	15.3	18.2	23.1	27.7	15.9

Note: A total of 347 franchisees answered this question.

B15 - Conflict resolution

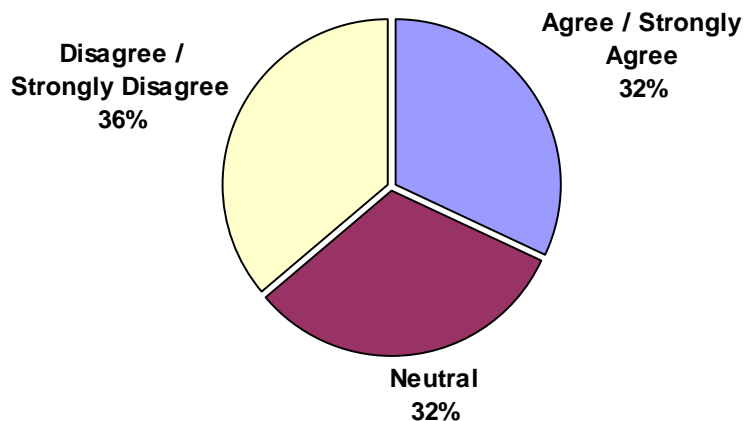


Franchisee opinions were divided over the effects of handling of disputes in the franchising relationship. Whereas 32 percent of franchisees felt that disputes were handled in such a manner as to eventually bring parties closer *together*, a similar proportion (36 percent) disagreed and 32 percent of franchisees indicated a neutral response.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B16 - The way disputes are handled in this franchise eventually brings us closer together.	17.1	18.8	32.4	20.8	11.0

Note: A total of 346 franchisees answered this question.

B16 - Conflict resolution

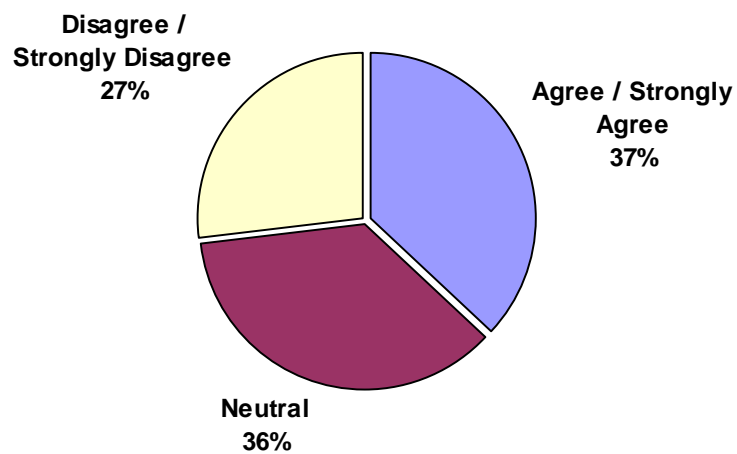


Some 37 percent of franchisees agreed with the statement that they knew how to deal with conflict and did not try to avoid it, whereas 27 percent disagreed. The remaining 36 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B17 - We know how to deal with conflict, so we do not try to avoid it.	12.8	14.2	35.7	26.1	11.3

Note: A total of 345 franchisees answered this question.

B17 - Conflict resolution

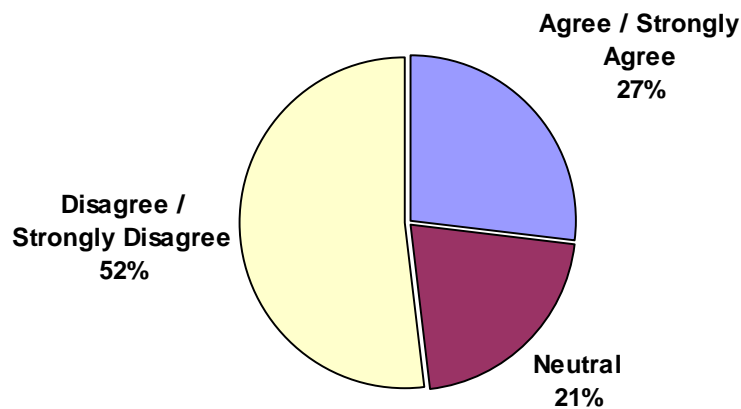


Over half (52 percent) of the franchisees indicated the differences that arose between themselves and their franchisor were usually *handled* well. In contrast, 27 percent of franchisees felt that these differences were usually not handled very well while 21 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B18 - Differences that arise between us are usually not handled very well.	23.9	27.9	21.3	15.8	11.2

Note: A total of 348 franchisees answered this question.

B18 - Conflict resolution



Franchise agreement

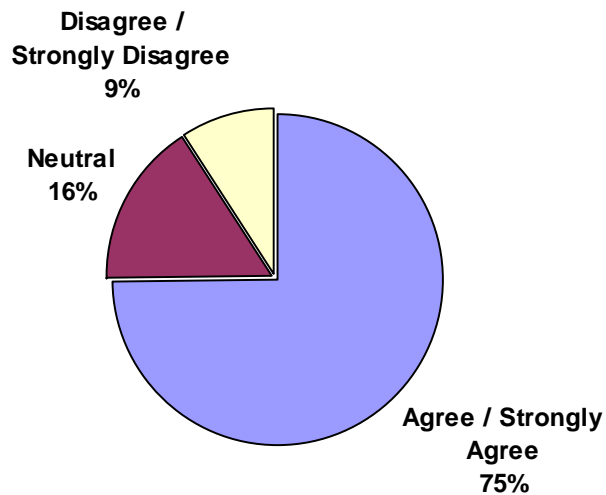
The final four questions of Section B (Questions B19 to B22) explored franchisees' perceptions of their franchise agreement and how it affected them.

Three-quarters (75 percent) of franchisees stated that they *understood* the terms of the franchise agreement and any related documents. Only 9 percent of franchisees felt that they did not understand the terms of the franchise agreement while 16 percent stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B19 - I understood the terms in the franchise agreement and related documents.	1.2	8.1	16.1	42.9	31.7

Note: A total of 347 franchisees answered this question.

B19 - Franchise agreement

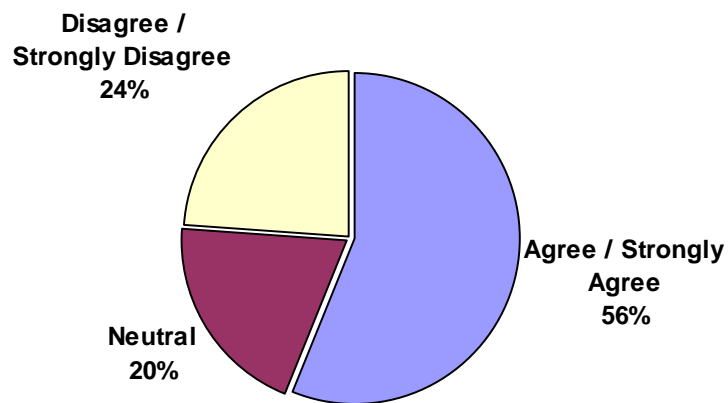


Over half (56 percent) of franchisees indicated that their franchise agreement gave them adequate *space* to run their business without interference. A further 24 percent of franchisees felt that the franchise agreement interfered with the running of their business. The remaining 20 percent stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B20 - The franchise agreement allows me the space to run my own business without interference.	9.8	14.1	20.1	32.5	23.6

Note: A total of 348 franchisees answered this question.

B20 - Franchise agreement

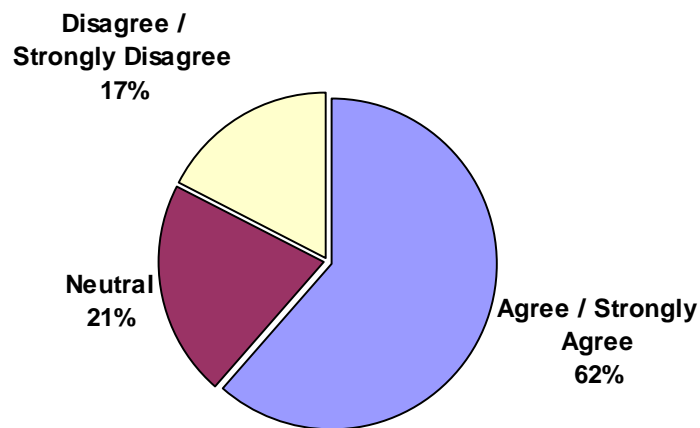


Fully 62 percent of franchisees indicated that the franchise system *requirements* placed on them by their franchisor were reasonable. Fewer respondents (17 percent) felt that the requirements were not reasonable while 21 percent remained neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B21 - The franchise system requirements placed on me by the franchisor are reasonable.	8.1	9.3	21.2	39.1	22.3

Note: A total of 345 franchisees answered this question.

B21 - Franchise agreement

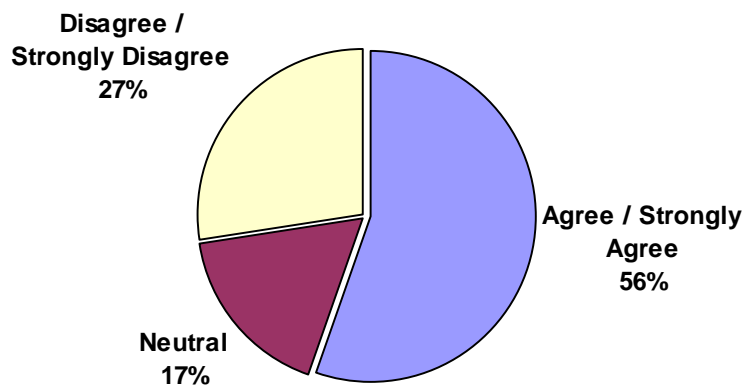


More than half (56 percent) of franchisees felt that the interests of their franchise agreement were *balanced* between themselves and their franchisors. However, 27 percent of franchisees felt that there was an imbalance interests and a further 17 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
B22 - The franchise agreement strikes a fair balance between my interests and those of the franchisor.	10.4	17.0	17.3	36.6	18.7

Note: A total of 347 franchisees answered this question.

B22 - Franchise agreement



Section C – Franchisor support

This section sought franchisees’ opinions on the *support* by the franchisor and the level of *satisfaction* with their franchising *relationship*.

Perceived support

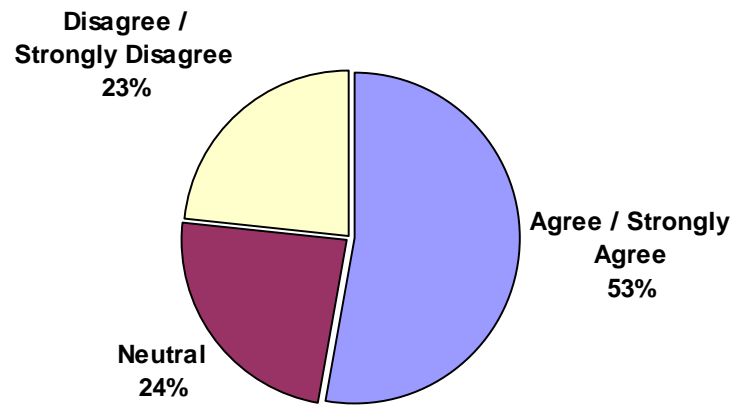
The first eight questions of Section C (Questions C1 to C8) measured the degree to which the franchisees perceived their franchisors to be providing appropriate support.

Just over half (53 percent) of franchisees felt that their contribution to the organisation was *valued* by their franchisor. Some 23 percent of franchisees felt that their franchisor did not value their contribution to the organisation. The final 24 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C1 - My franchisor values my contribution to its organisation.	10.9	12.3	24.1	29.2	23.5

Note: A total of 349 franchisees answered this question.

C1 - Perceived support

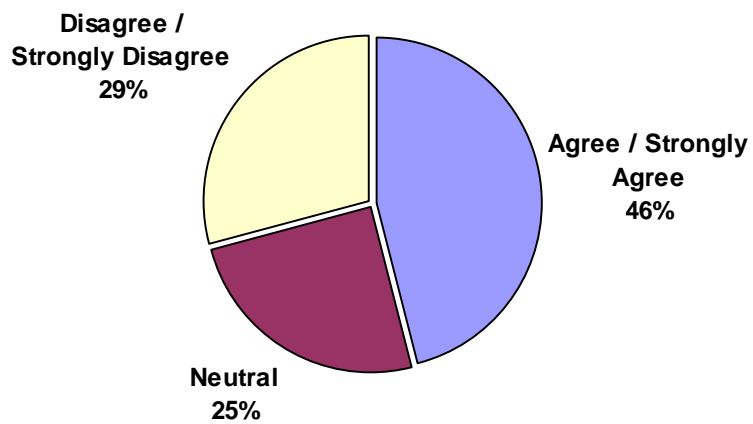


Whilst 46 percent of franchisees agreed that their franchisor strongly *considers* their goals and values, 29 percent disagreed. A further 25 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C2 - My franchisor strongly considers my goals and values.	13.3	15.9	24.8	28.5	17.6

Note: A total of 347 franchisees answered this question.

C2 - Perceived support

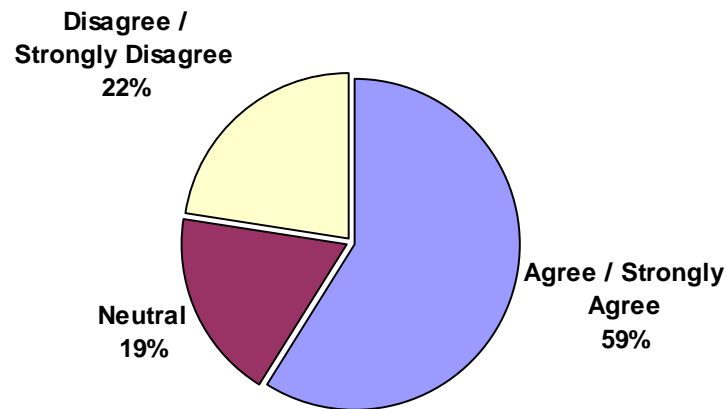


Fully 59 percent of franchisees felt that *help* was readily available from their franchisor whenever they had a problem. In contrast, 22 percent of franchisees did not feel they could rely on their franchisor for support when needed. Finally, 19 percent of franchisees did not offer an opinion.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C3 - Help is readily available from my franchisor when I have a problem.	8.9	13.5	18.6	35.5	23.5

Note: A total of 349 franchisees answered this question.

C3 - Perceived support

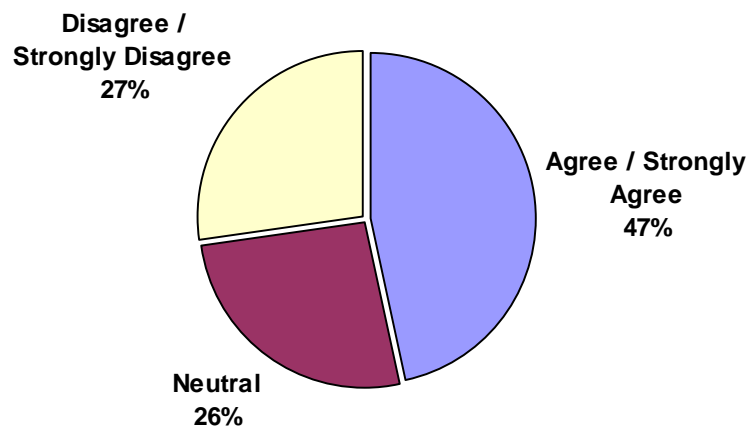


Just under half (47 percent) of franchisees stated that their franchisor *understood* and *accommodated* their problems and their needs. However, 27 percent of the franchisees disagreed that their franchisors were understanding. Some 26 percent of the franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C4 - My franchisor understands and accommodates my problems and needs.	11.2	16.0	26.1	29.5	17.2

Note: A total of 349 franchisees answered this question.

C4 - Perceived support

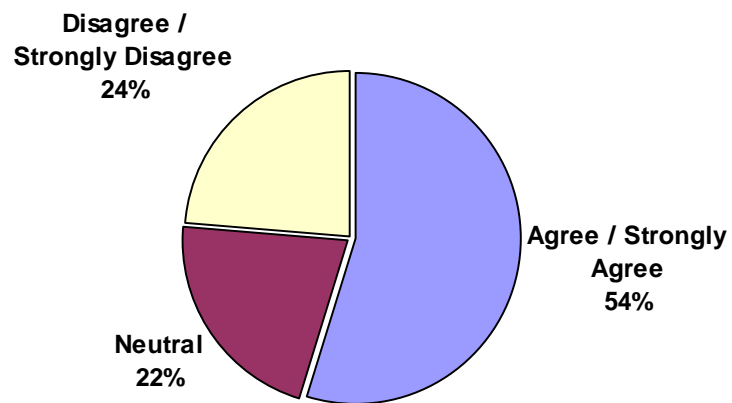


Just over half (54 percent) of franchisees indicated that their franchisor *supported* them whenever possible. Almost one quarter (24 percent) of franchisees felt that their franchisor’s support was lacking. The remaining 22 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C5 - My franchisor supports me whenever possible.	9.3	14.2	21.7	35.1	19.7

Note: A total of 345 franchisees answered this question.

C5 - Perceived support

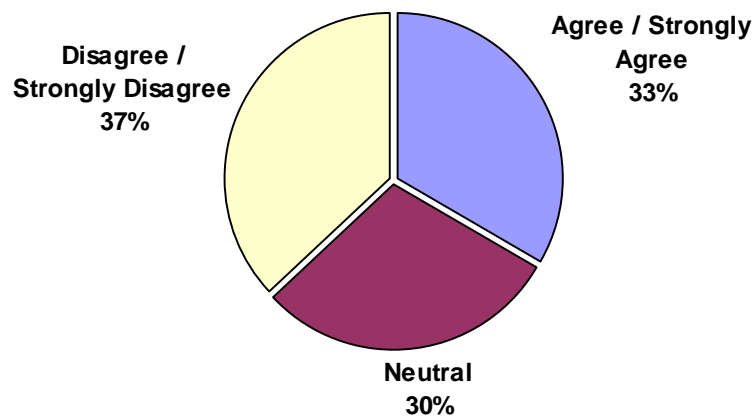


One-third (33 percent) of franchisees were positive that their franchisor would *help* them under any circumstances. However, a higher proportion of franchisees (37 percent) disagreed when asked if their franchisor helped them no matter what. Thirty percent stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C6 - My franchisor helps me no matter what.	17.5	19.5	29.6	21.3	12.1

Note: A total of 348 franchisees answered this question.

C6 - Perceived support

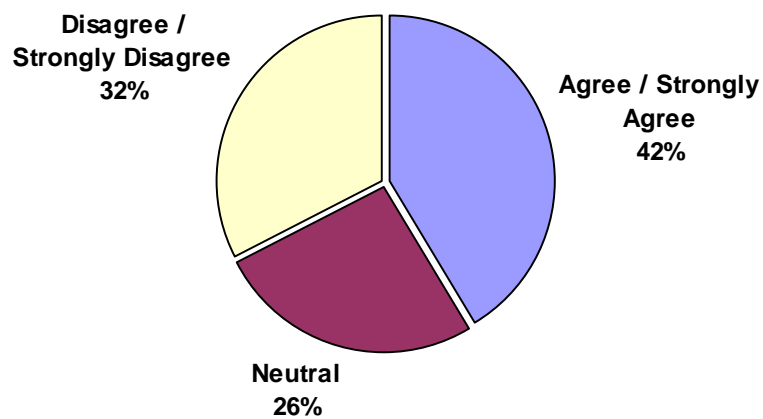


Whilst 42 percent of franchisees felt that their franchisor was always concerned about their *well-being*, a further 32 percent of franchisees indicated negative. The remaining 26 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C7 - My franchisor is always concerned about my well-being.	18.1	14.3	26.1	29.2	12.3

Note: A total of 349 franchisees answered this question.

C7 - Perceived support

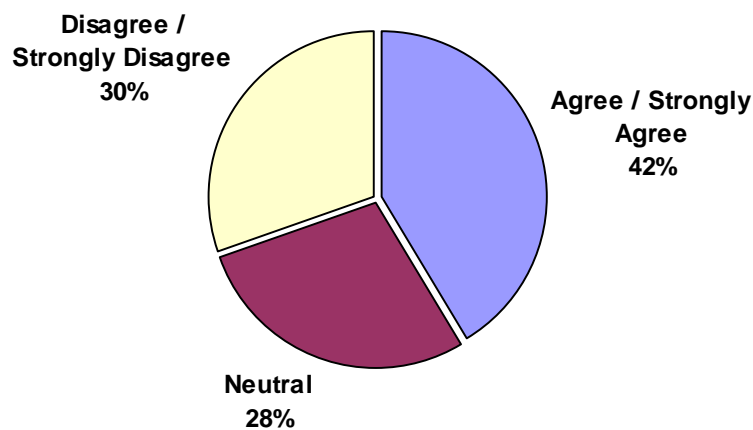


Some 42 percent of franchisees felt that they could rely on their franchisor to *help* them if they faced difficulties. However, 30 percent of franchisees were not confident that their franchisor would help them out if they were in trouble and 28 percent of franchisees remained neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C8 - Whenever I am in trouble, I know my franchisor will help me out.	18.4	11.8	28.2	27.3	14.1

Note: A total of 348 franchisees answered this question.

C8 - Perceived support



Relationship satisfaction

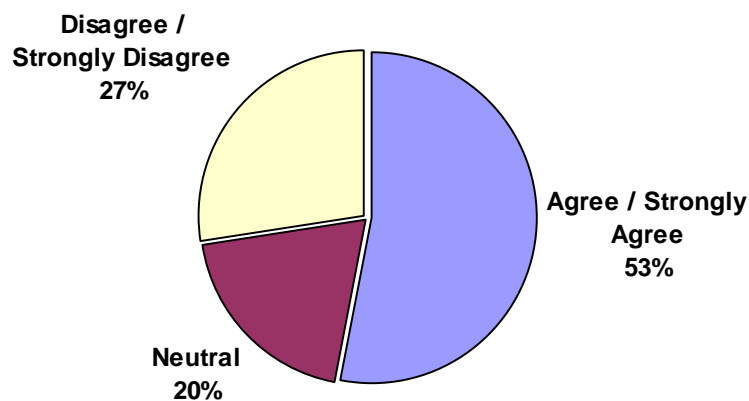
Questions C9 to C12 measured the degree to which the franchisee was satisfied with the franchising relationship.

Slightly more than half (53 percent) of franchisees considered the relationship with their franchisor to be *satisfying*. Just over one quarter (27 percent) of franchisees reported dissatisfaction with the relationship. The final 20 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C9 - Overall, I consider my relationship with my franchisor to be satisfying.	13.8	13.8	19.5	33.0	20.1

Note: A total of 349 franchisees answered this question.

C9 - Relationship satisfaction

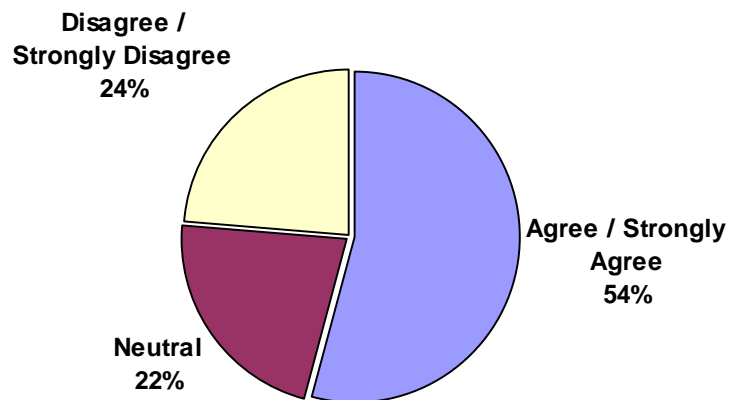


Similarly, 54 percent of franchisees considered the relationship with their franchisor to be *fair*, whereas 24 percent of franchisees felt the relationship with their franchisor was not fair. The remaining 22 percent of franchisees stayed neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C10 - Overall, I consider my relationship with my franchisor to be fair.	11.7	12.0	22.1	32.1	22.1

Note: A total of 349 franchisees answered this question.

C10 - Relationship satisfaction

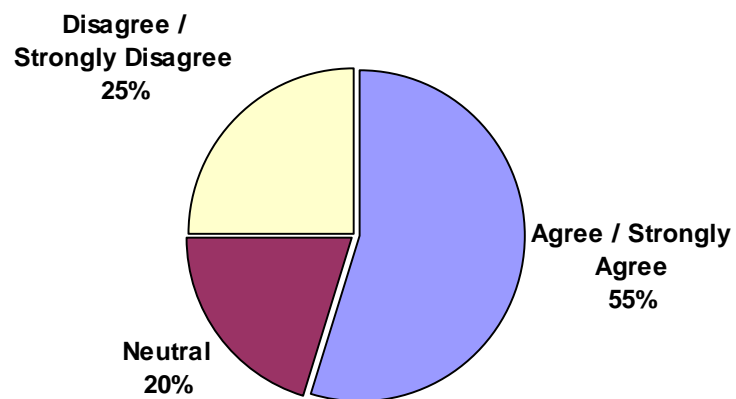


Continuing this pattern, 55 percent of franchisees considered the relationship with their franchisor to be *healthy* but 25 percent of franchisees disagreed.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C11 - Overall, I consider my relationship with my franchisor to be healthy.	12.9	12.0	20.3	33.8	20.9

Note: A total of 349 franchisees answered this question.

C11 - Relationship satisfaction

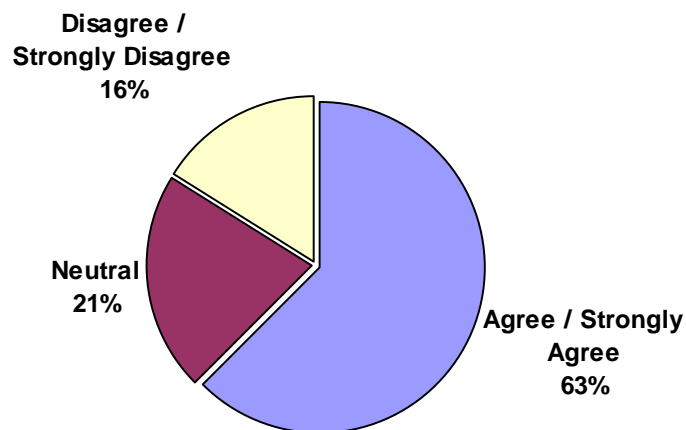


A slightly higher proportion (63 percent) of franchisees considered the relationship with their franchisor to be *cordial*. Only 16 percent of franchisees reported that their relationship with their franchisor was not on cordial terms.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C12 - Overall, I consider my relationship with my franchisor to be cordial.	7.2	8.7	21.4	38.0	24.6

Note: A total of 345 franchisees answered this question.

C12 - Relationship satisfaction



Perceived conflict

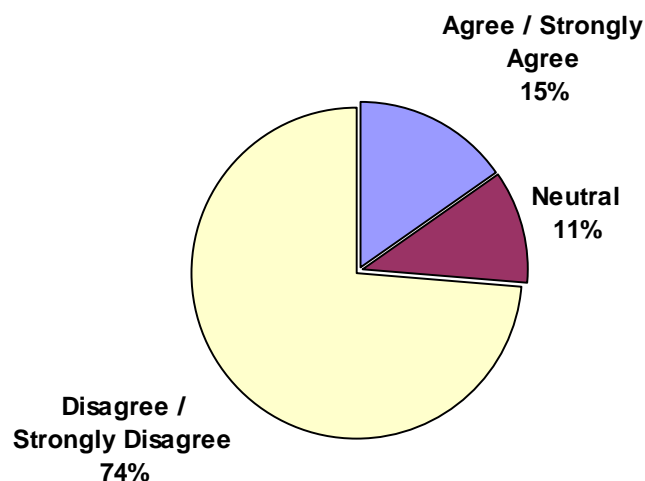
Questions C13 to C16 measured the degree to which franchisees perceived conflict to exist within the relationship.

Three quarters (74 percent) of franchisees indicated that there were only low levels of *conflict* in the relationship with their franchisor. A much smaller proportion of franchisees (15 percent) indicated that there was a lot of conflict in the relationship with their franchisor. The remaining 11 percent of franchisees stayed neutral on this topic.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C13 - There is a lot of conflict in the relationship between me and my franchisor.	47.3	26.4	11.2	7.2	8.0

Note: A total of 349 franchisees answered this question.

C13 - Perceived conflict

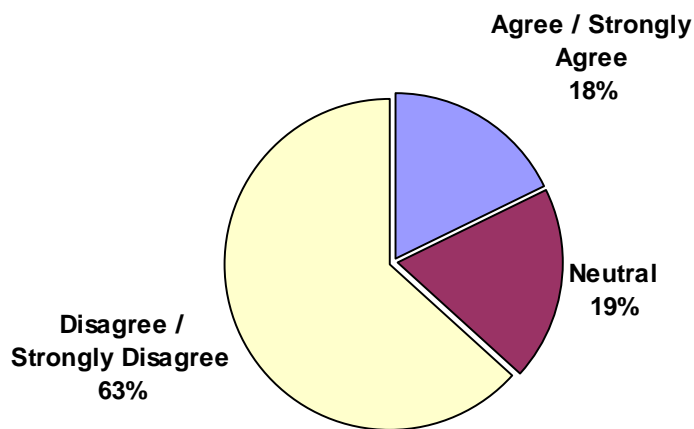


Almost two thirds (63 percent) of franchisees responded that they did not frequently *disagree* with their franchisor, indicating low potential for conflict to occur. In contrast, 18 percent indicated that they frequently disagreed with their franchisor. The remaining 19 percent of franchisees remained neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C14 - I frequently disagree with my franchisor.	30.5	32.8	18.9	10.8	7.0

Note: A total of 344 franchisees answered this question.

C14 - Perceived conflict

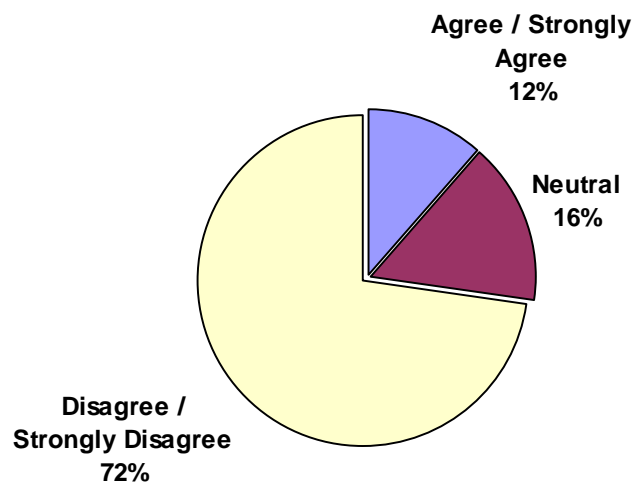


Franchisees reported that the level of *intensity* of any disagreements was low. Almost three quarters (72 percent) of franchisees felt that the disagreements they had with their franchisor were not usually intense. Only 12 percent of franchisees reported intense levels of disagreement. Some 16 percent of franchisees remained neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C15 - The disagreements I have with my franchisor are usually quite intense.	46.3	26.4	15.8	6.6	4.9

Note: A total of 348 franchisees answered this question.

C15 - Perceived conflict

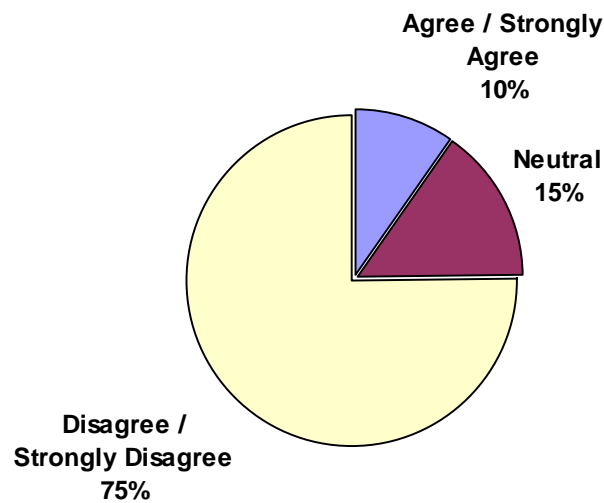


The majority of franchisees reported that conflict was not constant. Fully 75 percent of franchisees infrequently *argue* over important issues with their franchisor, compared with 10 percent of franchisees who constantly have arguments. Fifteen percent of franchisees remained neutral.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C16 - My franchisor and I constantly argue over important issues.	50.1	25.1	15.0	6.1	3.7

Note: A total of 347 franchisees answered this question.

C16 - Perceived conflict



Handling of disputes

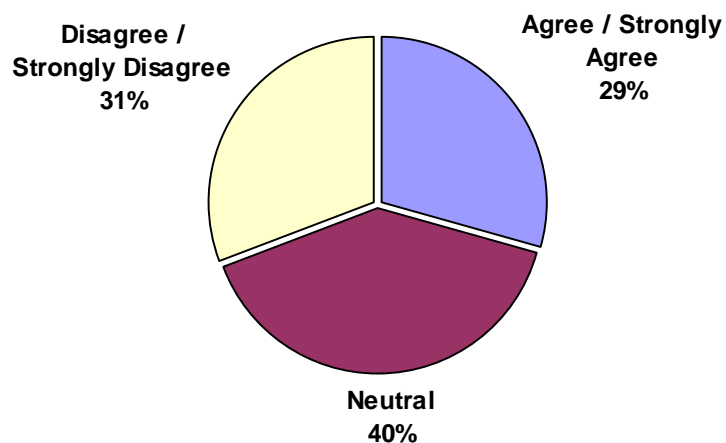
The final three questions of Section C (Questions C17 to C19) measured franchisees' perceptions of how disputes are handled.

Opinions about how franchisors deal with disputes were evenly divided. Some 29 percent of franchisees indicated that their franchisor makes use of *processes* which address disputes in a timely manner, but a further 31 percent of franchisees disagreed. Another 40 percent remained neutral, possibly reflecting a lack of franchisees' experience with disputes.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C17 - The franchisor makes use of processes which address disputes in a timely manner.	12.4	18.4	39.8	19.0	10.4

Note: A total of 347 franchisees answered this question.

C17 - Handling of disputes

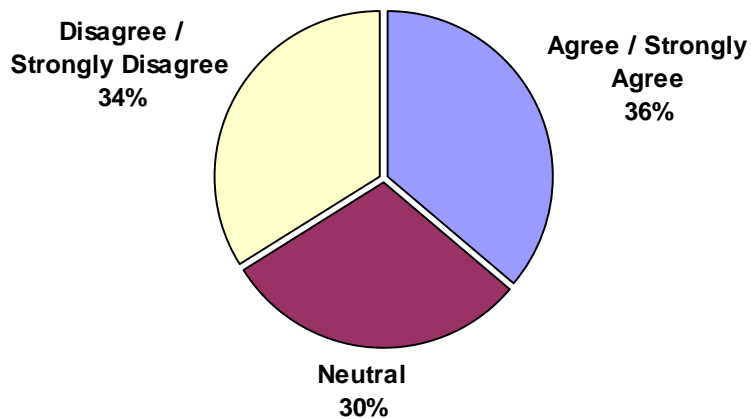


Similar results were reported regarding the effect of disputes on *trust* in franchising relationships. Whereas 36 percent of franchisees felt that their franchisor dealt with disputes in such ways as to build trust in the relationship, a similar proportion of franchisees (34 percent) felt that the process did not foster trust.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C18 - The franchisor deals with disputes in ways designed to build trust in the relationship.	16.3	17.5	30.1	24.1	12.0

Note: A total of 349 franchisees answered this question.

C18 - Handling of disputes

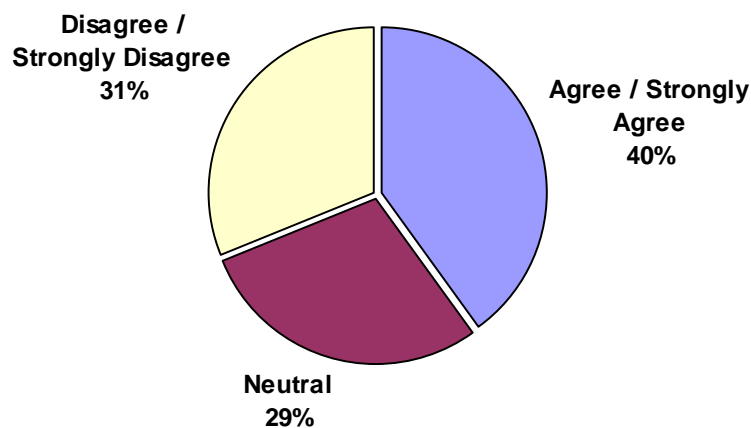


There were mixed feelings as to whether there was a genuine desire by franchisors to achieve positive solutions in the *interests* of both parties. Whereas 40 percent of franchisees felt that in dealing with disputes, their franchisor was focused on finding ways to meet both parties' interests, another 31 percent of franchisees thought otherwise. Again, the remaining franchisees (29 percent) retained a neutral stance on the issue.

	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
	Percent				
C19 - In dealing with disputes, the franchisor is focussed on finding ways to meet both of our interests.	16.6	14.6	28.7	26.9	13.2

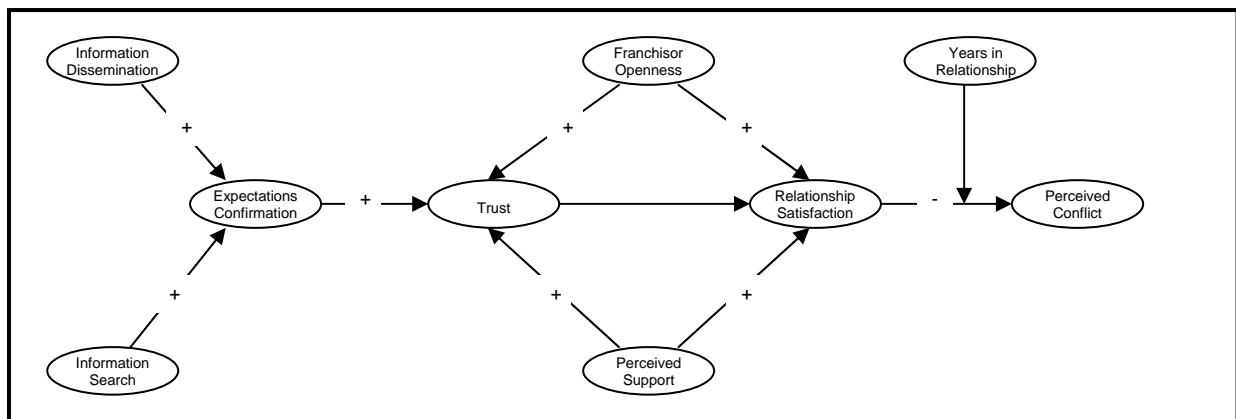
Note: A total of 349 franchisees answered this question.

C19 - Handling of disputes



Hypothesised model for predicting franchisor-franchisee conflict

The model below has been developed by combining the constructs that were measured in the previous sections. A relational pattern shows how different constructs effect and influence one another. Three key variables are seen to largely influence the level of *perceived conflict* (QC13 – QC16) within the franchising relationship; *expectations confirmation* (QB1 – QB4), *trust* (QB5 – QB8), and *relationship satisfaction* (C9 – C12). The *years in relationship* construct is seen as a mediating variable on levels of perceived conflict and is discussed in the next section.



Section D – Formal conflict management

This section asked franchisees about their experiences with *conflict* and conflict management.

Years in relationship

Questions D1, D2 & D3 asked the franchisees to reflect on their *time* in the franchise. Questions were based upon franchisees' experiences with *conflict* for the first year (D1), 2nd and 3rd years (D2), and from the 3rd year onwards (D3) respectively.

Some 61 percent of franchisees in their *first year* of operation indicated that they did not have a disagreement or misunderstanding with their franchisor that needed to be resolved. Hence, the remaining 39 percent of franchisees stated that they did have a disagreement or misunderstanding with their franchisor that required resolution.

When asked how the situations were resolved in the first year of operation, the most widely used means were; *contact with franchisor staff* (58 percent), *negotiation* (54 percent), and *contact with other franchisees* (48 percent). Very few franchisees used resolution means such as *litigation or court action* (1 percent), *third party involvement* (5 percent), *mediation* (6 percent), or *correspondence from solicitors* (11 percent).

D1. In the first year of operation

	Percent	
	Yes	No
A. Did you / have you had a disagreement or misunderstanding with your franchisor that needed to be resolved?	38.9	61.1
B. Did you / Have you sought to resolve any situation with your franchisor using the following means?		
1) Contact with franchisor staff	58.0	42.0
2) Negotiation (i.e., agreement via discussion)	54.3	45.7
3) Third party involvement (e.g. the ACCC)	4.8	95.2
4) Mediation (i.e., use of a middle person to help find a solution)	6.0	94.0
5) Contact with other franchisees	48.2	51.2
6) Correspondence from solicitors	11.4	88.6
7) Litigation or Court action	1.2	98.8

Note: Number of responses varied from 331 – 347.

Similarly, 58 percent of franchisees in their *second and third year* of operation indicated that they did not have a disagreement or misunderstanding with their franchisor that needed to be resolved. The remaining 42 percent of franchisees stated that they did experience conflict in the relationship that required resolution.

When asked how the situations were resolved in their second and third year of operation, the most widely used means were again: *contact with franchisor staff* (59 percent), *negotiation* (52 percent), and *contact with other franchisees* (47 percent). Very few franchisees used resolution means such as *litigation or court action* (1 percent), *third party involvement* (5 percent), *mediation* (9 percent), or *correspondence from solicitors* (10 percent).

D2. For the second and third years of operation

	Percent	
	Yes	No
A. Did you / have you had a disagreement or misunderstanding with your franchisor that needed to be resolved?	41.7	58.3
B. Did you / Have you sought to resolve any situation with your franchisor using the following means?		
1) Contact with franchisor staff	58.7	41.3
2) Negotiation (i.e., agreement via discussion)	51.1	48.9
3) Third party involvement (e.g. the ACCC)	5.4	94.6
4) Mediation (i.e., use of a middle person to help find a solution)	9.1	90.9
5) Contact with other franchisees	46.8	53.2
6) Correspondence from solicitors	10.0	90.0
7) Litigation or Court action	1.1	98.9

Note: Number of responses varied from 274 – 300.

A similar pattern was reported by franchisees who were in the franchise for more than three years. Some 55 percent of franchisees indicated that they did not have a disagreement or misunderstanding with their franchisor that needed to be resolved and 45 percent of franchisees stated that they did.

When asked how the situations were resolved after 3 years of operation, the most widely used means were very similar to newer franchisees: *contact with franchisor staff* (60 percent), *negotiation* (49 percent), and *contact with other franchisees* (45 percent). Very few franchisees used resolution means such as *litigation or court action* (4 percent), *third party involvement* (9 percent), *mediation* (11 percent), or *correspondence from solicitors* (17 percent).

This pattern of results from both new and more experienced franchisees is strikingly similar with all groups reporting similar levels of conflict as well as relying on the same means of conflict resolution.

D3. Beyond three years

	Percent	
	Yes	No
A. Did you / have you had a disagreement or misunderstanding with your franchisor that needed to be resolved?	44.8	55.2
B. Did you / Have you sought to resolve any situation with your franchisor using the following means?		
1) Contact with franchisor staff	59.5	40.5
2) Negotiation (i.e., agreement via discussion)	48.6	51.4
3) Third party involvement (e.g. the ACCC)	8.6	91.4
4) Mediation (i.e., use of a middle person to help find a solution)	10.6	89.4
5) Contact with other franchisees	44.7	55.3
6) Correspondence from solicitors	16.8	83.2
7) Litigation or Court action	3.6	96.4

Note: Number of responses varied from 218 – 241.

Causes of conflict

In question D4, franchisees were asked to describe a conflict situation they had experienced and how it was managed. The responses have been tabulated into the most common themes.

Major causes of conflict were *lack of support from the franchisor* (16 percent), *compliance with the system* (11 percent), issues relating to franchising *fees* (10 percent), *communication problems* (9 percent), *misrepresentation issues* (9 percent), *marketing issues* (9 percent), and *profitability* (7 percent). Other causes of dispute suggested by franchisees included franchise agreement issues, territorial disputes, deceitful franchisor behaviour, too much control imposed by the franchisor, and stock issues.

When asked to explain in their own words what they felt were the most important issues or misunderstandings that had caused conflict in their relationships, the majority of responses indicated that franchisees were unhappy with the level of perceived support from their franchisor. For example, one franchisee stated that franchisor support “...needs to be of an ongoing nature – the franchisor is remote and only communicates when there is a benefit for them. This leads to a feeling of isolation and in some cases betrayal for the franchise.”

Some franchisees felt that their franchisor did not possess the adequate ability to provide the required support – “franchisor lacks professional skills: management, accounting, marketing, and retail sales skills.” Another franchisee indicated that their “franchisor does not proceed to evolve with industry and technology and values of the franchise are severely compromised.” One franchisee viewed their franchisor as “unreliable, issues (are) ignored. No systems in place. No clear process. No regular communication.” Similar to another franchisees description of their franchisor, they felt that they were “not getting value for (their) franchise fee of 8 percent. We are rarely visited!”

It is interesting to note that the causes of *conflict* reported by franchisees in this survey are weighted somewhat differently by franchisors reporting on causes of *disputes* in the Franchising Australia surveys. Differences may be due to differing viewpoints and perceptions or they may reflect the greater influence of issues that escalate from a situation of conflict to a dispute situation. Franchisors report issues with system compliance and lack of franchisee profitability as the main causes of disputes. Unlike the findings in the current survey, franchisors place very little emphasis on franchisor support as a cause of disputes.¹

¹ Franchising Australia 2008, (L. Frazer, S. Weaven, O. Wright), Griffith University

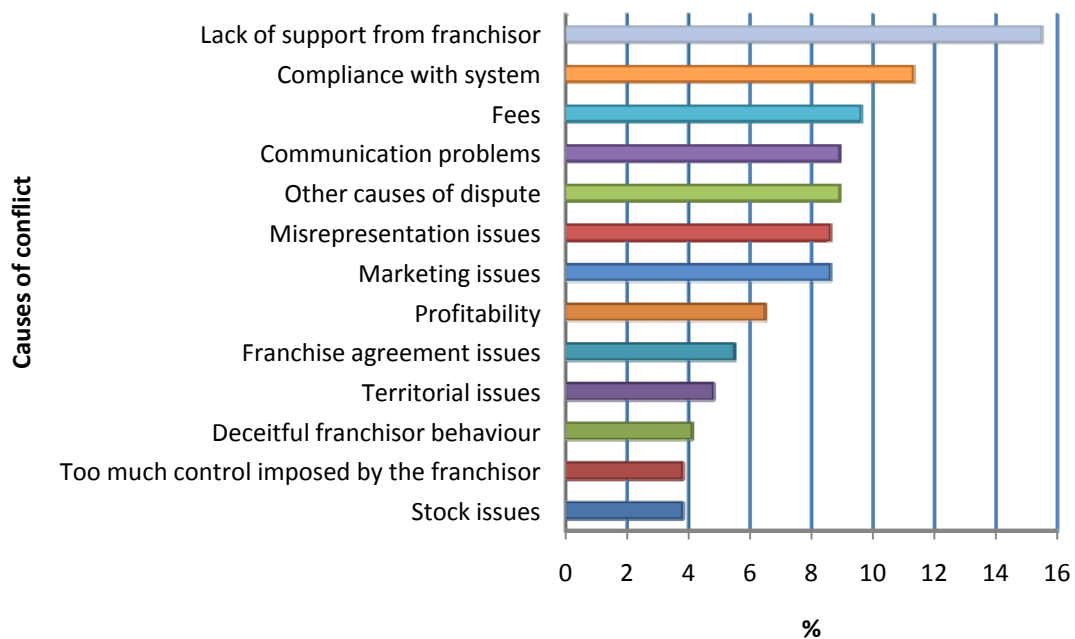
D4. Please explain in your own words:

(a) The nature of the most important issue or misunderstanding that has caused conflict in the franchising relationship.

Response (Cause of conflict)	Number of responses	Percent
Lack of support from franchisor	45	15.5
Compliance with system	33	11.3
Fees	28	9.6
Communication problems	26	8.9
Misrepresentation issues	25	8.6
Marketing issues	25	8.6
Profitability	19	6.5
Franchise agreement issues	16	5.5
Territorial issues	14	4.8
Deceitful franchisor behaviour	12	4.1
Too much control imposed by the franchisor	11	3.8
Stock issues	11	3.8
Other causes of dispute	26	8.9
Total	291	100.0

Notes: 1) A total of 266 franchisees answered this question.
2) Multiple responses were recorded for some respondents.

Causes of conflict



Conflict resolution methods

When asked how the conflict was dealt with, franchisees mostly utilised *verbal negotiation* (37 percent) or *written correspondence* (9 percent) to resolve any issue or misunderstanding. Many responses were negative in that conflict was either *not resolved* (18 percent) or *poorly resolved* (10 percent). Other ways in which conflict was handled were: *written correspondence via solicitor* (4 percent), *compromise* (2 percent), *financial assistance from franchisor* (2 percent), *mediation* (2 percent), *third party involvement* (2 percent), *franchisee exit* (1 percent), *court action* (1 percent), or *quickly* (1 percent).

When franchisees were negotiating the resolution of the misunderstanding most respondents indicated that the “*discussion*” was “*open and transparent*”. One franchisee shared his experiences: “*ongoing discussions. Legal opinion requested from lawyer and barrister. Discussions to find a way to meet on mutual needs. At the stage of re-negotiating our manufacturing agreement, yet to be resolved.*” Another franchisee indicated the importance of regular discussion; “*regular meetings with the franchisor so as to discuss issues more often. Don’t let it go!*”

The second largest category of responses described situations where there was *no resolution*. This included some situations whereby discussion was still ongoing but mostly conflict situations were “*not dealt with*” or there was “*no resolution – stale mate*” or, “*it wasn’t, I just get the cold shoulder*” or “*nothing can be done*” or “*unresolved and undocumented*” or “*all my questions and requests are never answered*” or “*the issues have not been dealt with and communication is only be email*” or “*issues have been raised and totally ignored by the franchisor.*”

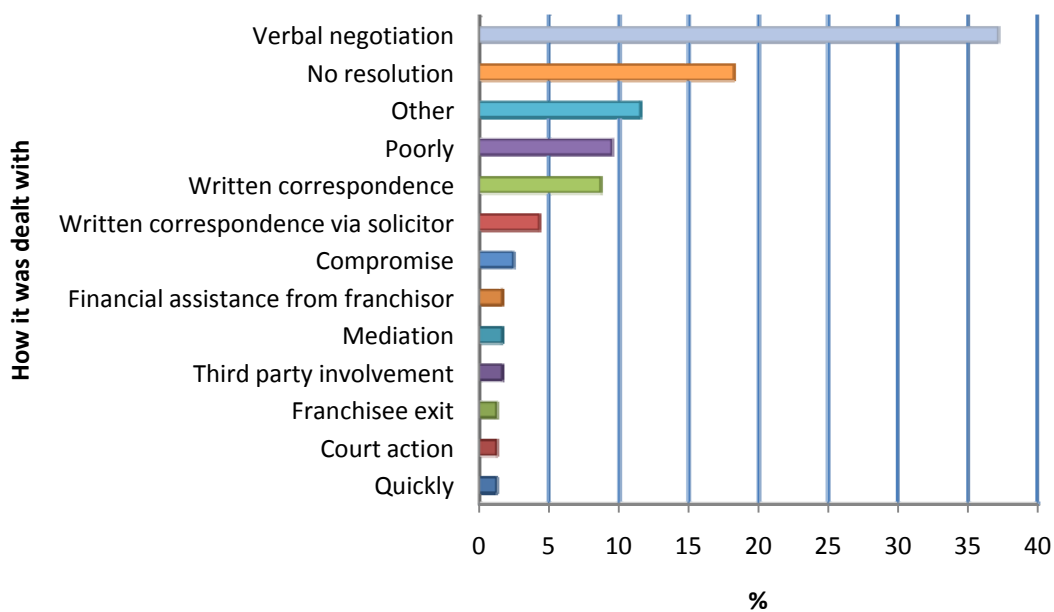
Often the issue or misunderstanding was felt to be handled *poorly*. One franchisee stated that “*all in all it was a lethal combination – many avenues explored to address but were characterised by intransigence, avoidance, threats or intimidations, promises which are never delivered, discriminatory behaviour, stand over tactics.*” Another franchisee felt the franchisor handled the conflict using “*blame and intimidation*” while yet another franchisee stated that the “*franchisor passed the buck – blamed everyone except themselves.*” Another franchisee felt that the franchisor “*over-ruled (their) their views and wouldn’t listen to (their) side of the argument.*”

(b) How the conflict was dealt with.

Response (How it was dealt with)	Number of responses	Percent
Verbal negotiation	94	37.2
No resolution	46	18.2
Poorly	24	9.5
Written correspondence	22	8.7
Written correspondence via solicitor	11	4.3
Compromise	6	2.4
Financial assistance from franchisor	4	1.6
Mediation	4	1.6
Third party involvement	4	1.6
Franchisee exit	3	1.2
Court action	3	1.2
Quickly	3	1.2
Other	29	11.5
Total	253	100.0

Notes: 1) A total of 238 franchisees answered this question.
 2) Multiple responses were recorded for some respondents.

How the conflict was dealt with



Conflict resolution outcomes

Over half (51 percent) of the franchisees felt that their issue or misunderstanding had been resolved. This category was further broken down to include three sub-categories: *yes – satisfactorily* (35 percent), *yes – unsatisfactorily* (13 percent) and, *yes – in the short term* (2 percent). A further 38 percent of franchisees indicated that they did not feel that the conflict had been resolved while 12 percent of franchisees viewed their resolution as *still a work in progress*.

One franchisee stated that *“we don’t feel we can ask for help – we feel powerless like we are on our own on a sinking ship...this has been the most negative and stressful experience of the 30 years of my working life! – would never go into another franchise.”* Another franchisee, in response to the question – do you feel the conflict was resolved – responded: *“not really, but I accept as a franchisee I have been stripped of a lot of decision making that I feel will benefit myself and the business.”*

Other franchisees managed to resolve the issue or misunderstanding but not without leaving a few scars: *“(conflict) not (resolved) satisfactorily – it has left us untrusting”* and *“yes, mostly, however there is still an amount of mistrust but we manage to stay civil.”* Another franchisee suggested that *“the dispute was resolved, but the culprit is no longer a team player – this is not addressed by the franchisor.”*

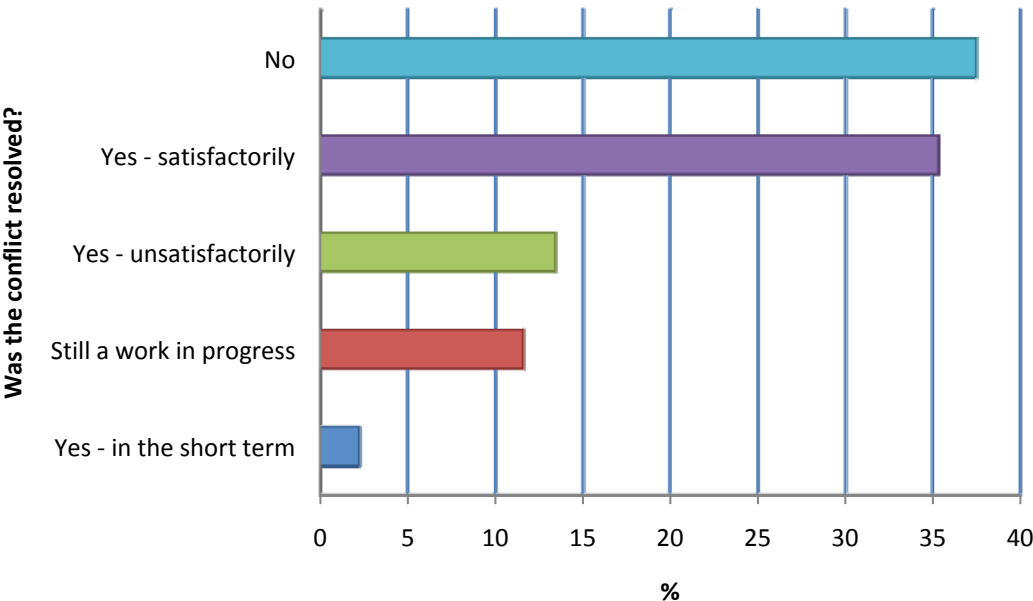
Just over one third of franchisees (35 percent) had positive and satisfactory results whereby the issue or misunderstanding was dealt with in an *“efficient”* and *“fair”* manner leaving *“both parties better off”*.

(c) Do you feel it was resolved.

Response (Do you feel it was resolved)	Number of responses	Percent
No	84	37.5
Yes - satisfactorily	79	35.3
Yes - unsatisfactorily	30	13.4
Still a work in progress	26	11.6
Yes - in the short term	5	2.2
Total	224	100.0

Notes: 1) A total of 231 franchisees answered this question.
2) Multiple responses were recorded for some respondents.

Was the conflict resolved?



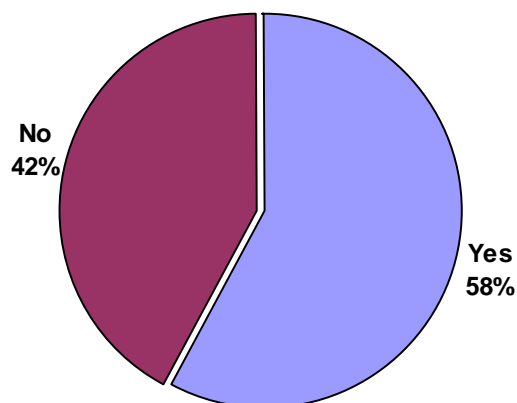
Formal processes for dealing with conflict

Slightly more than half (58 percent) of franchisees indicated that their franchisor had a *formal procedure* for dealing with conflict while the other 42 percent did not have any formalised conflict resolution procedures within their system.

D5. Does your franchisor have a formal process for dealing with conflict in your system?

Response	Number of responses	Percent
Yes	188	57.7
No	138	42.3
Total	326	100.0

Formal conflict management

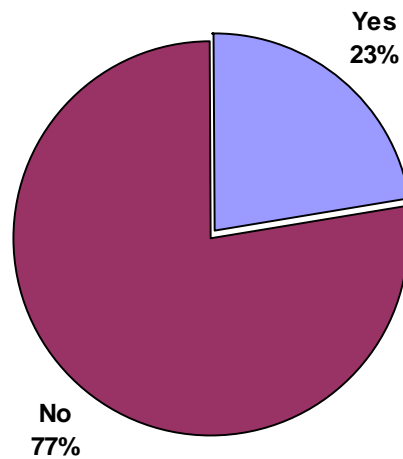


Only 23 percent of franchisees received formal *training* about dealing with conflict while 77 percent of franchisees indicated that their franchisor does not provide them with any formal training about dealing with conflict.

D6. Does your franchisor provide you with any formal training about dealing with conflict?

Response	Number of responses	Percent
Yes	77	22.6
No	264	77.4
Total	341	100.0

Formal conflict training



Organisational characteristics

The size of franchise units varied widely among the responses. Some franchise units were run by a sole operator while others employed up to 84 full time staff members. Ranging from 0 to 70 part-time employees, on average franchisees employed approximately 2 part time employees. Ranging from 0 to 65 casual employees, on average franchisees employed approximately 3 casual staff members. Similarly, although responses ranged from no employees through to 84 full-time staff members, franchisees employed an average of 3 full-time staff members.

D7. How many employees are there in your own franchise unit?

Response	Range	Average (mean)
Part Time	0 - 70	2.1
Casual	0 - 65	3.2
Full Time	0 - 84	2.8

Note: A total of 342 franchisees answered this question.

Slightly more than half (56 percent) of franchisees were in systems whereby the franchisor provided field staff. The remaining 44 percent of franchisees indicated that their franchisor did not provide field staff.

D8. Does your franchisor provide field staff?

Response	Number of responses	Percent
Yes	150	44.0
No	191	56.0
Total	341	100.0

Pre-entry research

As per question A1 (page 7), over half the franchisees (56 percent) reported that they were proactive in seeking out information before they purchased their franchise. The following two questions further probe this area by asking franchisees where they obtained this information (QD9) and how long they spent in the search and evaluation of their franchise (QD10).

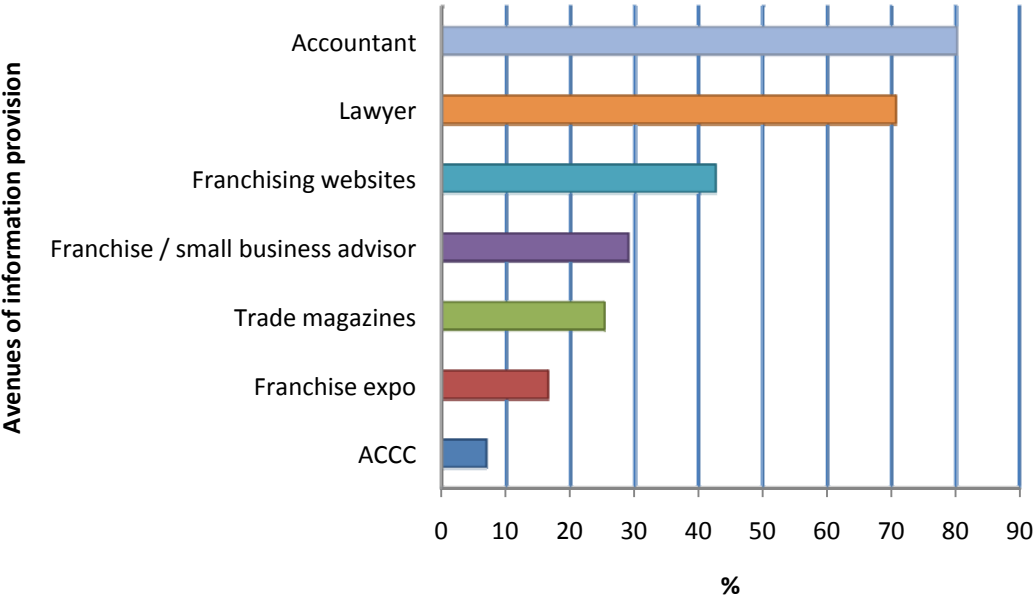
Fully 80 percent of franchisees obtained information from an *accountant* prior to entry. Similarly, 71 percent of franchisees spoke to a *lawyer* before they purchased their franchise. Some 43 percent of franchisees conducted research on *franchising websites*. In addition, 29 percent of franchisees spoke to a *franchise / small business advisor* while 25 percent of franchisees utilized *trade magazines*. Seventeen percent of franchisees attended the *Franchising Expo* before purchasing their franchise and 7 percent of franchisees obtained information from the *ACCC* before they purchased their franchise. Multiple sources of information were obtained by many franchisees.

D9. Before purchasing this franchise did you obtain information from any or all of the following sources?

Response	Percent
	Answered Yes
Accountant	80.1
Lawyer	70.7
Franchising websites	42.6
Franchise / small business advisor	29.0
Trade magazines	25.2
Franchise expo	16.5
ACCC	6.8

Note: Number of responses varied from 339 – 341.

Pre-entry research



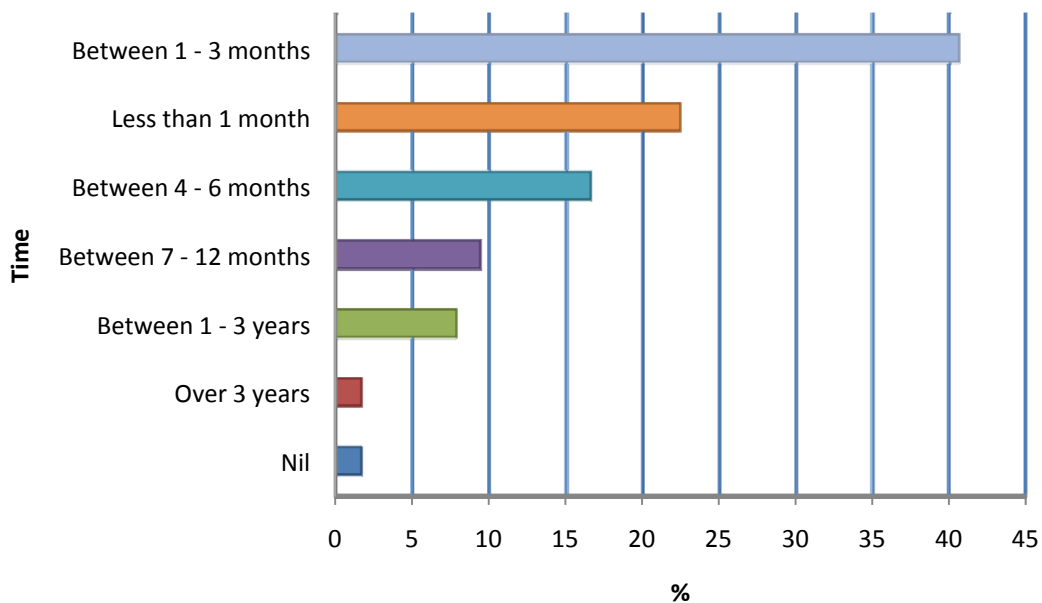
The median search time for a franchise was 3 months. Some franchisees (2 percent) indicated that they spent no time on research whereby some franchisees spent up to 7 years researching and evaluating their franchise. Responses below are categorised into seven categories with most responses falling between 1 and 3 months of research.

D10. Approximately how much time was devoted to the search and evaluation phase before you bought this franchise?

Response	Number of responses	Percent
Nil	5	1.6
Less than 1 month	69	22.4
Between 1 - 3 months	125	40.6
Between 4 - 6 months	51	16.6
Between 7 - 12 months	29	9.4
Between 1 - 3 years	24	7.8
Over 3 years	5	1.6
Total	308	100.0

- Notes: 1) A total of 308 franchisees answered this question.
 2) Search time was a median of 3 months.
 3) Responses ranged from nil to 7 years.

Time devoted to search and evaluation

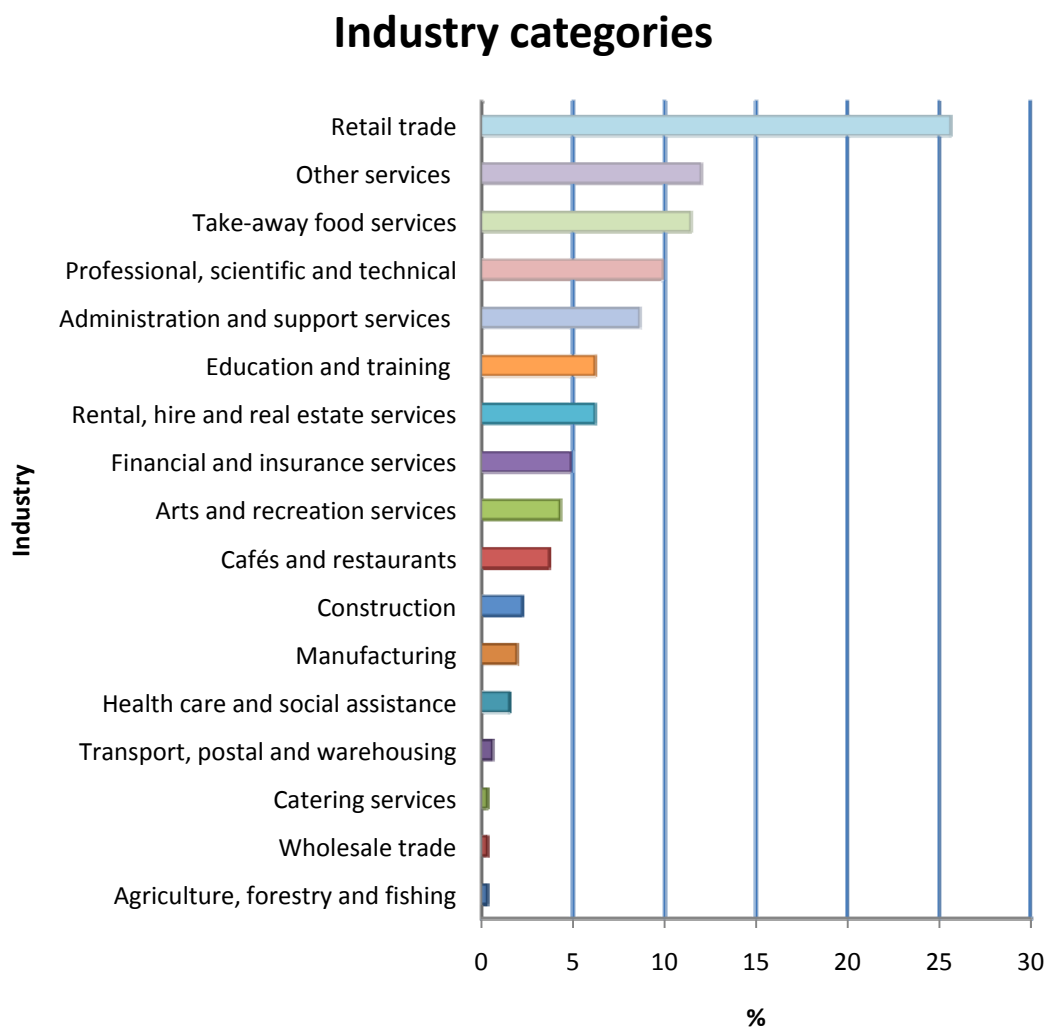


Section E – Demographic and background information

This section recorded *demographic* and background information of the franchisees.

Industry

The largest industry segment is *retail trade*, which accounts for 26 percent of the franchisees. Some 12 percent of franchisees are involved in '*other services*', (including personal services, pet services, auto repairs and servicing, IT services). *Take-away food services* (fast food retail trade) represent 12 percent of franchisee activity. A further 10 percent of franchisees fall into the *professional, scientific and technical* industry classification. Similarly, *administration and support services* (including travel agencies, office services, domestic and industrial cleaning, gardening services and lawn mowing) account for another 9 percent of franchisees. Whilst franchising occurs in a wide range of industry sectors, the remaining segments are less prominent.



E1. Please describe the type of business you are in.

Response (industry)	Number of responses	Percent
Retail trade	83	25.6
Other services (includes personal services, pet services, auto repairs and servicing, IT services etc)	39	12.0
Take-away food services	37	11.4
Professional, scientific and technical	32	9.9
Administration and support services (includes travel agencies, office services, domestic and industrial cleaning, gardening services, lawn mowing etc)	28	8.6
Rental, hire and real estate services	20	6.2
Education and training	20	6.2
Financial and insurance services	16	4.9
Arts and recreation services	14	4.3
Cafés and restaurants	12	3.7
Construction	7	2.2
Manufacturing	6	1.9
Health care and social assistance	5	1.5
Transport, postal and warehousing	2	0.6
Agriculture, forestry and fishing	1	0.3
Wholesale trade	1	0.3
Catering services	1	0.3
Total	324	100.0

Notes: 1) 324 of the 350 responses were able to be classified.

2) Franchise systems were coded according to industry type using the major categories provided under the Australian and New Zealand Standard Industrial Classification (ANZSIC) coding system.

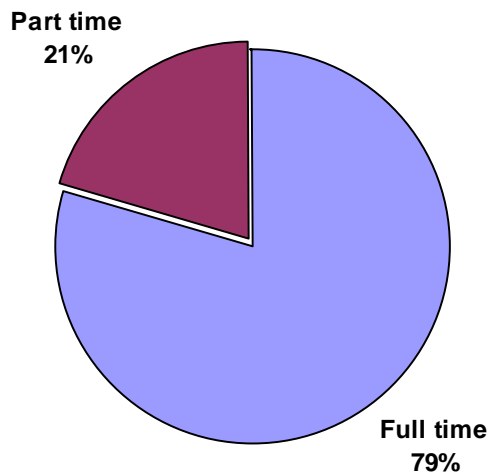
Day-to-day operations

The majority (79 percent) of franchisees indicated that they worked in their franchise full time (greater than 40 hours per week). The remaining 21 percent of franchisees worked part time in their franchise unit.

E2. I (the franchisee) work in the franchise:

Response	Number of responses	Percent
Full Time	274	79.4
Part Time	71	20.6
Total	345	100.0

Franchisee work load



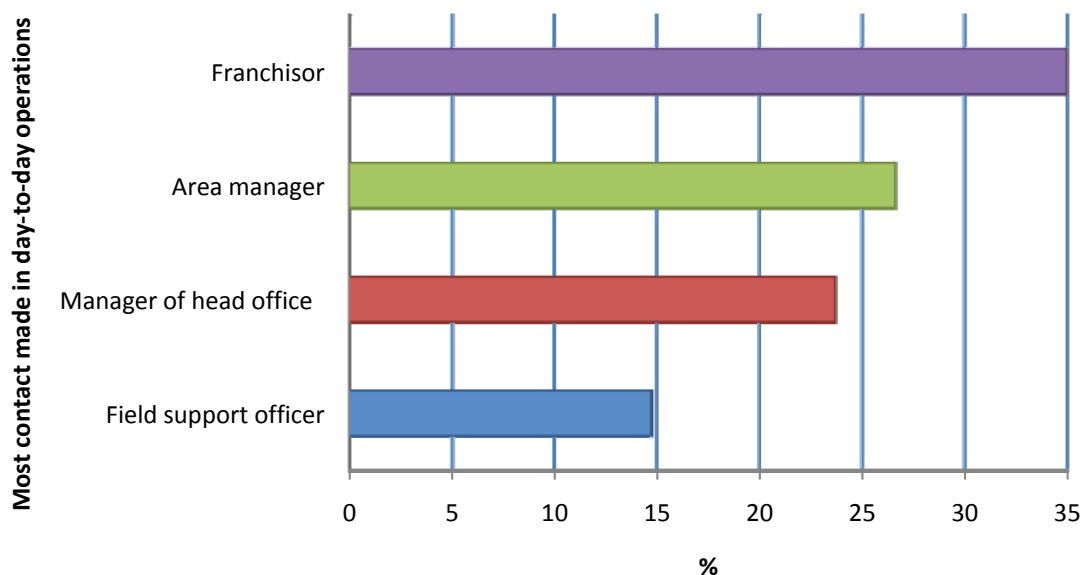
Franchisees mostly deal with their *franchisor* (35 percent) in the day-to-day operations of their franchise. Some 27 percent of franchisees indicated that they mostly dealt with an *area manager* while 24 percent of franchisees would mainly deal with the *manager of the head office*. Fifteen percent of franchisees indicated that they mostly deal with a *field support officer*.

E3. Who do you mostly deal with in the day-to-day operations of your franchise?

Response	Number of responses	Percent
Franchisor	100	35.0
Area manager	76	26.6
Manager of head office	68	23.7
Field support officer	42	14.7
Total	286	100.0

Note: A total of 286 franchisees answered this question.

Most contact made in day-to-day operations



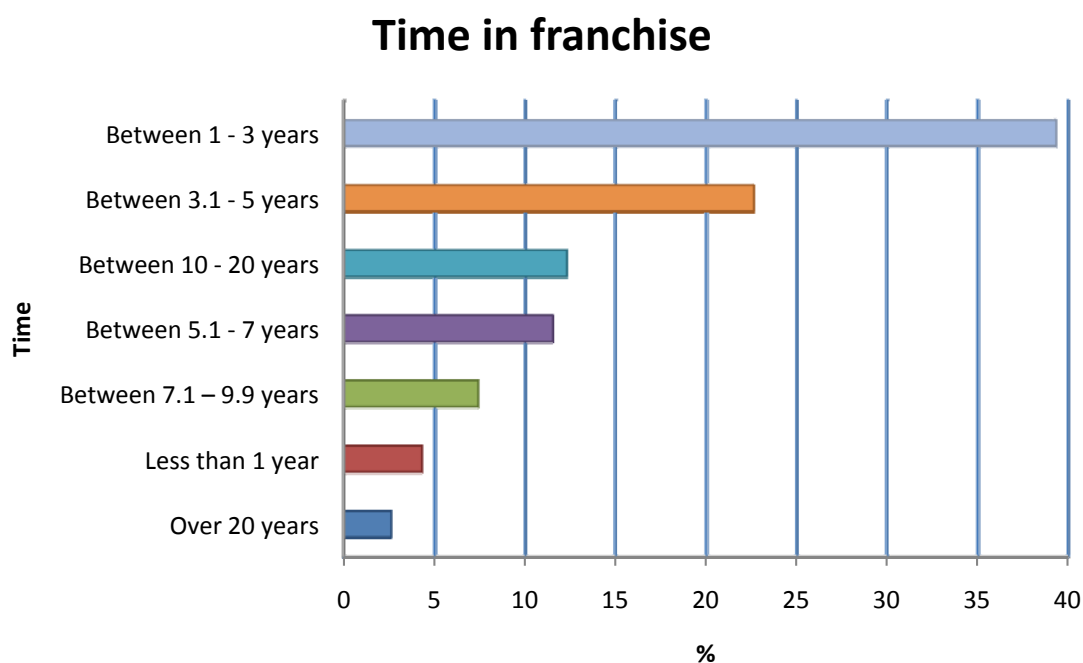
Franchise unit demographics

The median length of time the franchisees had spent in the system was 4 years. Responses were categorised into seven categories with most responses (39 percent) falling within the 'between 1 – 3 years' category.

E4. For how many years have you been a franchisee in the current system?

Response	Number of responses	Percent
Less than 1 year	15	4.3
Between 1 - 3 years	137	39.3
Between 3.1 - 5 years	79	22.6
Between 5.1 - 7 years	40	11.5
Between 7.1 – 9.9 years	26	7.4
Between 10 - 20 years	43	12.3
Over 20 years	9	2.6
Total	349	100.0

Notes: 1) A total of 349 franchisees answered this question.
 2) The median tenure was 4 years.
 3) The responses ranged from 0.1 years to 38 years.



Most respondents (78 percent) hold just one franchise in their franchise system while 20 percent of franchisees hold between 2 and 4 units. Two percent of franchisees held between 5 and 7 units while 0.6 percent of franchisees held more than 8 units. The most units held in a franchise was 28.

E5. How many franchise units do you hold in this franchise system?

Response	Number of responses	Percent
1 unit	258	77.9
2 - 4 units	65	19.8
5 - 7 units	6	1.8
8 units and over	2	0.6
Total	331	100.0

*Notes: 1) A total of 331 franchisees answered this question.
 2) Franchisees hold a median of one unit.
 3) Responses ranged from 1 unit to 28 units.*

The most common length of time for the term of a franchise agreement is five years, with over half of franchisees (55 percent) in this arrangement. Ten year terms were also common accounting for 17 percent of the franchisees. Only a small proportion of franchisees (2 percent) had 15 year terms while 11 percent of franchisees were in agreements that were less than 5 years.

E6. What was the term of your original franchise agreement?

Response	Number of responses	Percent
Less than 5 years	35	10.7
5 years	182	55.3
10 years	55	16.7
15 years	5	1.5
Other Length	52	15.8
Total	329	100.0

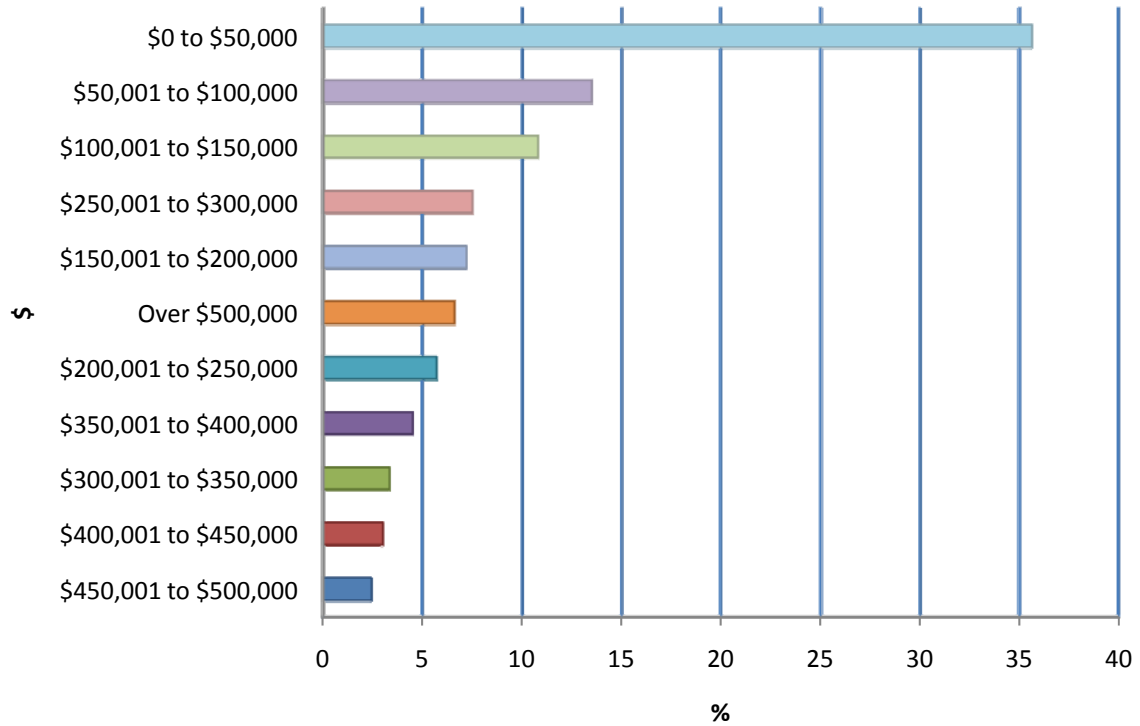
The total median *start-up cost* of a franchised unit across all industries was \$110,000. Start-up costs vary considerably across industries. Responses ranged from nil to \$2million dollars. Franchisees' responses were categorised into 11 classes as seen in the table below with most responses (36 percent) falling in the '\$0 to \$50,000' category.

E7. The total start up cost (or purchase price) for this franchise was:

Response	Number of responses	Percent
\$0 to \$50,000	119	35.6
\$50,001 to \$100,000	45	13.5
\$100,001 to \$150,000	36	10.8
\$150,001 to \$200,000	24	7.2
\$200,001 to \$250,000	19	5.7
\$250,001 to \$300,000	25	7.5
\$300,001 to \$350,000	11	3.3
\$350,001 to \$400,000	15	4.5
\$400,001 to \$450,000	10	3.0
\$450,001 to \$500,000	8	2.4
Over \$500,000	22	6.6
Total	334	100.0

Notes: 1) Number of responses for this question was 334.
 2) The median start-up cost was \$110,000.
 3) The responses ranged from \$0 to \$2million.

Total start up cost

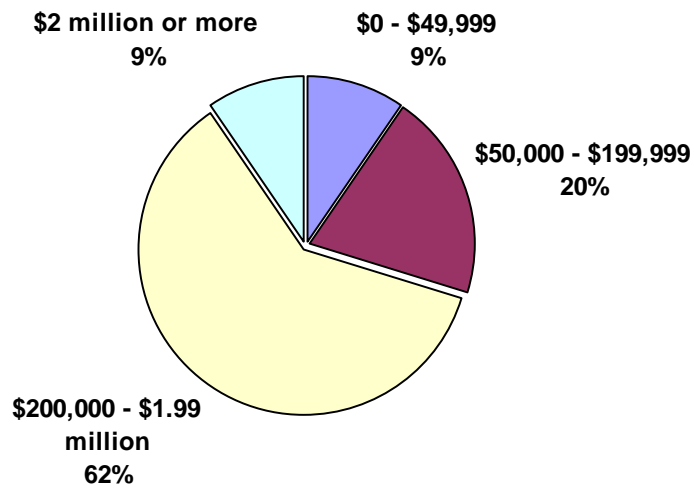


Most franchisees (61 percent) had an annual turnover for the year ended 30 June 2009 between \$200 000 and \$1.99 million. Twenty percent of franchisees indicated that they had an annual turnover between \$50 000 and \$199 999. Nine percent of franchisees had an annual turnover of less than \$49 999 while a further nine percent indicated that they had a turnover of \$2 million or more.

E8. What was the annual turnover of your franchise unit for the year ended 30 June 2009?

Response	Number of responses	Percent
\$0 to \$49 999	32	9.4
\$50 000 to \$199 999	69	20.2
\$200 000 to \$1.99 million	209	61.0
\$2 million or more	32	9.4
Total	342	100.0

E8 - Annual turnover

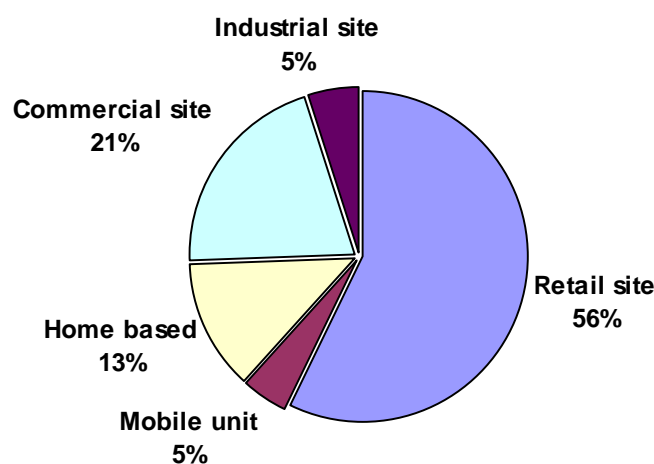


Some 57 percent of franchisees ran their operations from a retail site while 21 percent ran their operations from a commercial site. In addition, 13 percent of franchisees were home based and 5 percent of franchisees had a mobile operation. The remaining 5 percent of franchisees indicated that they ran their operations from an industrial site.

E9. From where do you operate your franchise business?

Response	Number of responses	Percent
Retail site	199	57.2
Mobile unit	16	4.6
Home based	44	12.6
Commercial site	72	20.7
Industrial site	17	4.9
Total	348	100.0

E9 - Operation location



Gender, age and education

Consistent with findings in the *Franchising Australia surveys* (2004, 2006, and 2008), franchise unit ownership is dominated by men. Two-thirds (67 percent) of the respondents were male with the remaining 33 percent being female.

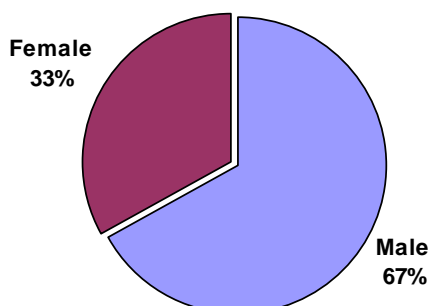
The majority of franchisees are concentrated within the 41 – 50 year age group (34 percent). The average age of the respondents was 48 years, ranging from 25 to 79 years.

Respondents were relatively evenly distributed when asked to indicate their level of completed formal education: *year 10 high school* (20 percent), *year 12 high school* (21 percent), *TAFE / technical college* (23 percent), *university – undergraduate* (18 percent), *university – postgraduate* (18 percent). A small proportion of franchisees had received a *doctoral degree* from university (2 percent).

E10. My Gender.

Response	Number of responses	Percent
Male	234	67.0
Female	115	33.0
Total	349	100.0

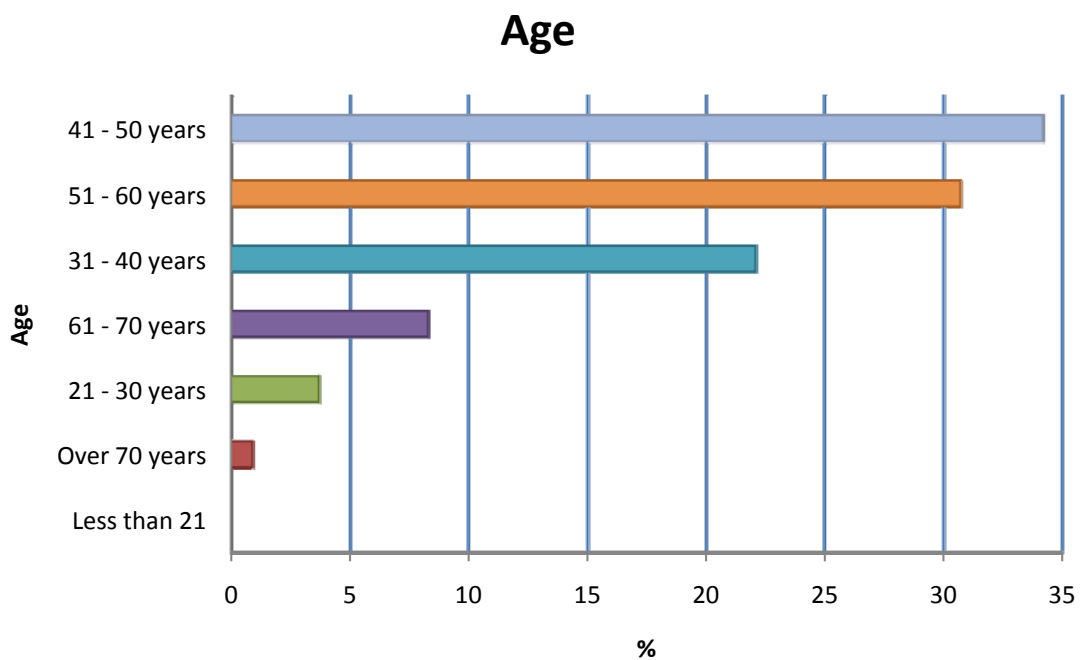
E10 - Gender



E11. My Age.

Response	Number of responses	Percent
Less than 21	0	0.0
21 - 30 years	13	3.7
31 - 40 years	77	22.1
41 - 50 years	119	34.2
51 - 60 years	107	30.7
61 - 70 years	29	8.3
Over 70 years	3	0.9
Total	348	100.0

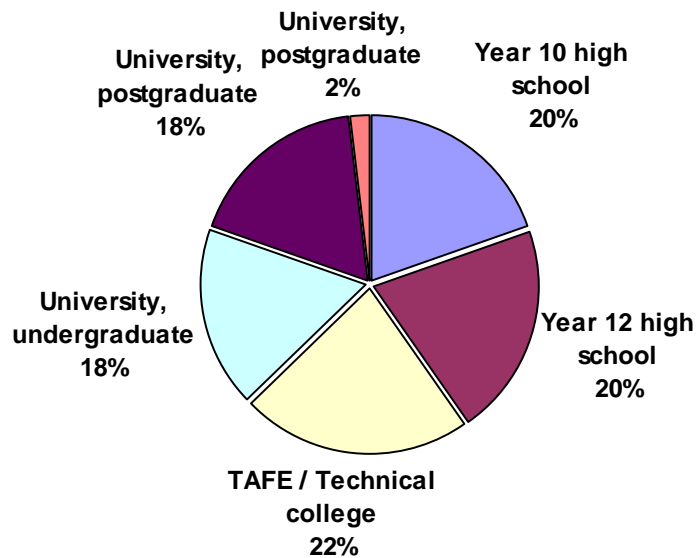
Notes: 1) A total of 348 franchisees answered this question.
 2) The average age was 48 years.
 3) The respondents' age ranged from 25 to 79 years.



E12. My completed level of formal education.

Response	Number of responses	Percent
Year 10 high school	68	19.5
Year 12 high school	72	20.7
TAFE / Technical college	79	22.7
University, undergraduate	61	17.5
University, postgraduate (diploma, masters or equivalent)	62	17.8
University, postgraduate (doctoral degree)	6	1.8
Total	348	100.0

E12 - Education



Franchise system demographics

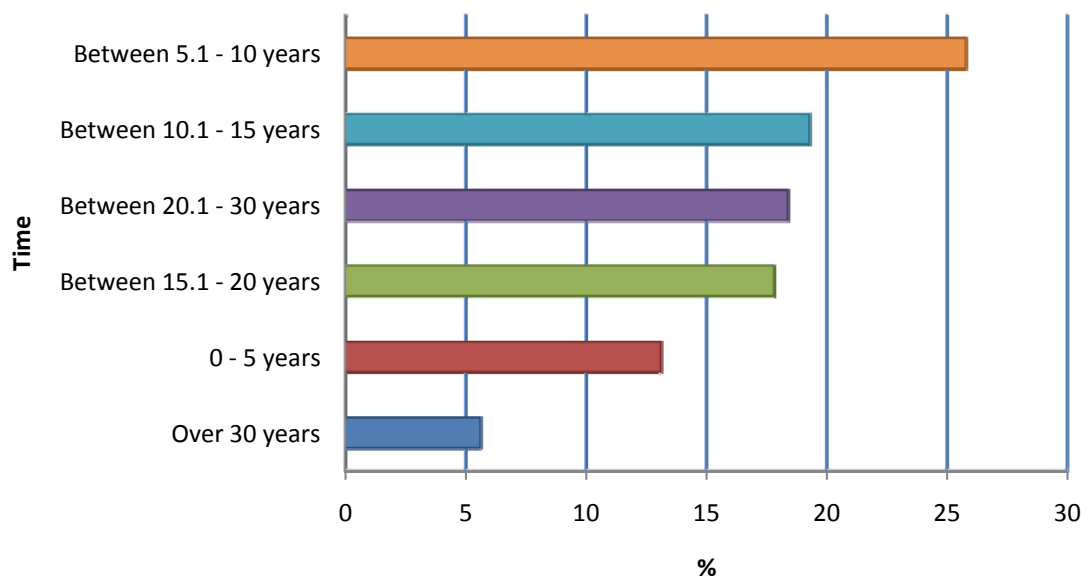
On average, the franchise systems that the franchisees were involved in had been operating for 16 years. Age of franchise systems ranged from 1 year to 65 years. Responses were classified into six categories in the table below with most responses indicating that their franchise system had been in operation between 5 and 10 years.

E13. For how many years has the entire franchise system, of which you are a part, been operating?

Response	Number of responses	Percent
0 - 5 years	44	13.1
Between 5.1 - 10 years	87	25.8
Between 10.1 - 15 years	65	19.3
Between 15.1 - 20 years	60	17.8
Between 20.1 - 30 years	62	18.4
Over 30 years	19	5.6
Total	337	100.0

Notes: 1) A total of 337 franchisees answered this question.
 2) Franchise systems had been operating for an average of 16 years.
 3) The responses ranged from 1 year to 65 years.

Age of entire franchise system



About the authors

The authors of this survey are members of the Asia-Pacific Centre for Franchising Excellence at Griffith University.

Professor Lorelle Frazer is a Professor in Marketing and the Director of the Asia-Pacific Centre for Franchising Excellence. Professor Frazer has a PhD in franchising and is the lead author of the Franchising Australia Surveys.

Professor Jeff Giddings is Professor in Law as well as the Convenor of the Griffith Law School Graduate Certificate in Dispute Resolution.

Dr Scott Weaven is a Senior Lecturer in Marketing and the Deputy Director of the Asia-Pacific Centre for Franchising Excellence. Dr Weaven has a PhD in franchising and is co-author of the Franchising Australia Surveys.

Associate Professor Debra Grace is an Associate Professor in Marketing. She has a PhD in Marketing and has published widely in the field of consumer behaviour.

Mr Anthony Grace is a Senior Research Assistant in the Asia-Pacific Centre for Franchising Excellence. Mr Grace has a bachelor of Commerce and Bachelor of Marketing with First Class Honours.

The mission of the **Asia-Pacific Centre for Franchising Excellence** is to address the need for dedicated franchising research and education, as well as have an ongoing focus on the franchise sector. The Centre builds on the Griffith Business School's reputation as a leader in franchise research and education.

www.franchise.edu.au



Asia-pacific centre for
franchising excellence
HELPING FRANCHISING GROW