

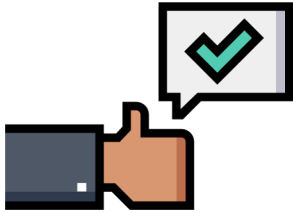


FRANCHISE For Migrants and Refugees

WHAT IS A FRANCHISE?

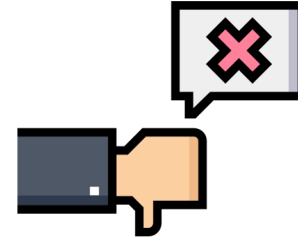
A **franchise** is a type of business where one person (**the franchisor**) grants another person (you, **the franchisee**) the right to start a business in Australia under a specific system determined by the franchisor. The franchisee pays a fee to the franchisor gaining, in return, the right to sell the franchisor's products or services and use the franchisor's trademark, system of doing business and assistance for a specific time determined by the franchise agreement.

WHY CHOOSE A FRANCHISE?



FOR

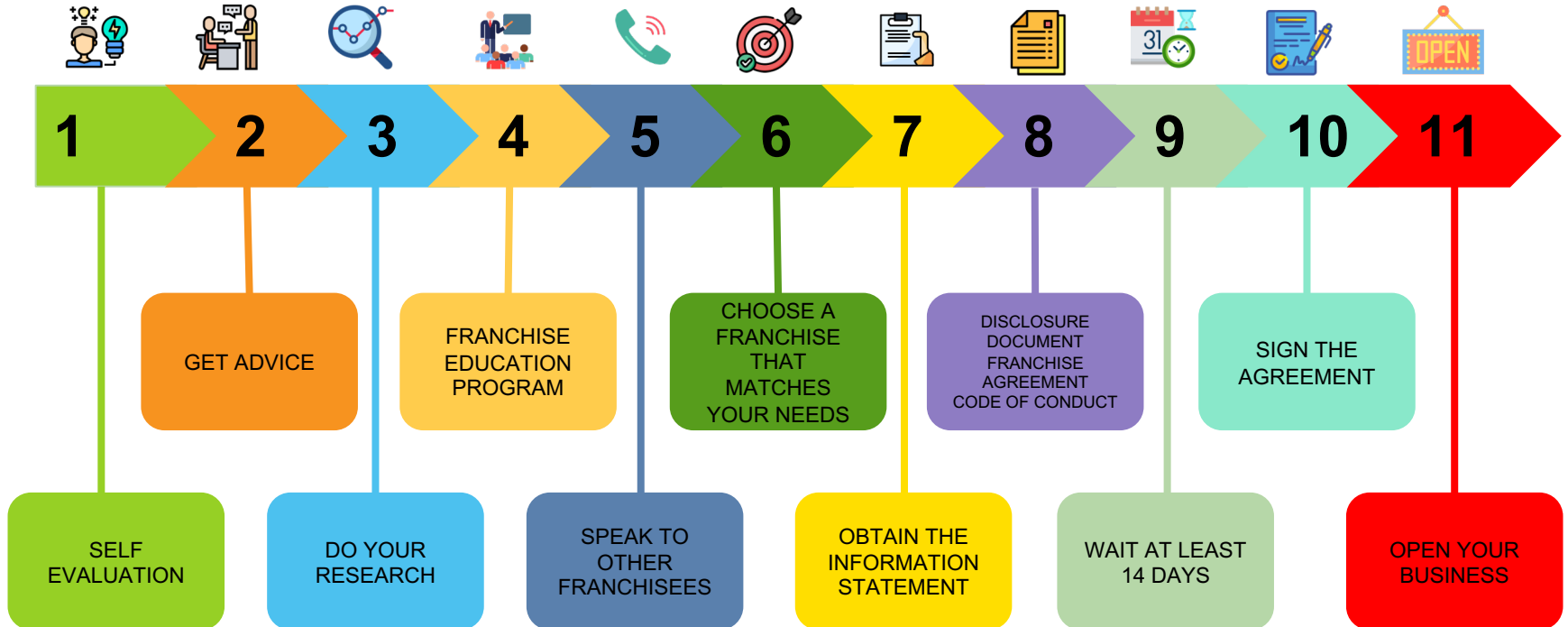
- You are buying into an established business
- It is a known brand
- Simpler access to financial systems
- Networking and business relationships
- Training and support
- Less likely to fail



AGAINST

- No control of the franchise
- Tied to suppliers
- Less flexibility and autonomy
- Franchise fees
- Cut of your profit
- May be difficult to exit business
- Franchisor not obliged to renew contract

KEY STEPS IN ASSESSING THE PURCHASE OF A FRANCHISE



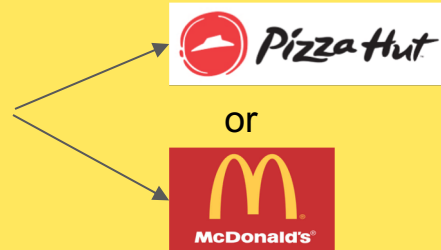
DO YOU KNOW THERE ARE DIFFERENT SYSTEMS OF FRANCHISING?

Business Format Franchising

You buy the complete business system from the franchisor which includes, among others, the right to use a trademark and a trade name, the products or services to be sold, the physical premises, a marketing plan, the procedures and the quality control process.

You can learn from the franchisor the entire business format, including selling, inventory, accounting and personnel procedures to develop products and services for the customers.

Fast food franchises like



or

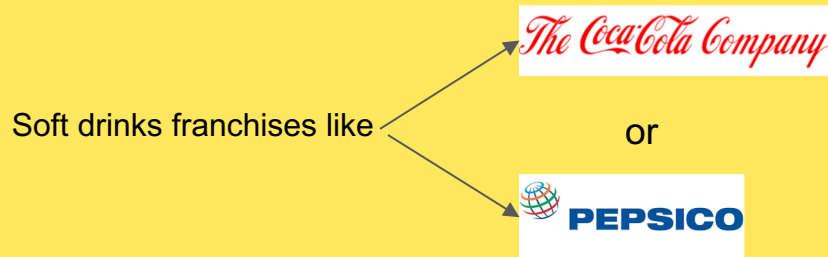
are famous examples of business format franchising.

DO YOU KNOW THERE ARE DIFFERENT SYSTEMS OF FRANCHISING?

Product and Trade Name Franchising

You can sell or distribute a product manufactured by the franchisor and meanwhile sell either competing or complementary products.

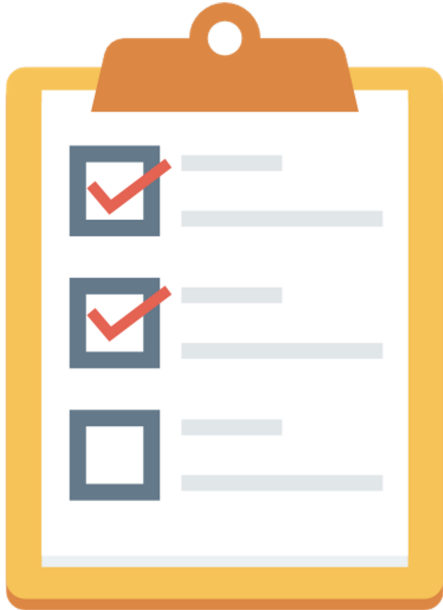
In the product and trade franchising the franchisor does not provide the complete system that is necessary to run the business but only the right to use the franchisor's trademark and trade name within a specified territory or at a specific location, in exchange for fees or royalties.



or

are famous examples of product and trade name franchising.

HOW TO CHOOSE A FRANCHISE?



Check your **skills, strengths** and **weaknesses**



Work out your **finances**



Complete the Griffith University online pre-entry **franchise education program**
<https://www.franchise-ed.org.au/online-courses/pre-entry-franchise-education/>



Get **professional advice** from an independent accountant, lawyer and business expert

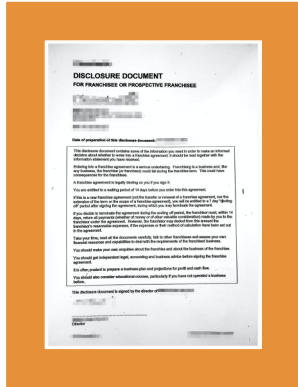


Read the **information statements** of the franchises that interest you

AFTER CHOOSING THE FRANCHISE THAT YOU WANT

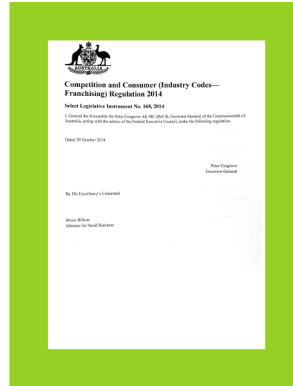
The franchisor must provide you with:

DISCLOSURE DOCUMENT



A disclosure document is a document with information about the franchise. It should include information from the franchisor to help you make a reasonably informed decision about whether to buy the franchise. Certain information must be included even if it might make someone decide not to buy the franchise.

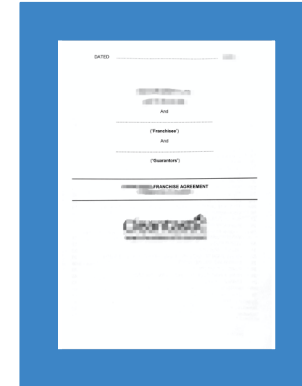
ACCC FRANCHISING CODE OF CONDUCT



The Franchise Code of Conduct is an industry code that all franchisors and franchisees have to follow.

Available on <https://www.legislation.gov.au/Details/F2017C00182>

FRANCHISE AGREEMENT



The franchise agreement is legally binding arrangement between you and the franchisor.



AT LEAST 14 DAYS before the agreement is signed, or you make any non-refundable payment.



DISCLOSURE DOCUMENT

Franchisor's details and business experience

Litigation: it must contain the details of any legal actions against the franchisor. It also includes bankruptcy or insolvency of the franchisor, directors of associated entities in the last 10 years.

Contact details of current and former franchisees: you can contact them with any questions about the franchisor's system and operations.

Master franchisor: in case the franchisor is a sub franchisor it must provide you with the master's details.

Full list of its intellectual property: and any restricting conditions applied to a franchisee.

Site or Territory: the franchisor must clearly tell you if you get a specific territory or a site as part of your franchise agreement. As well, they have to tell you if this territory is exclusively for you or whether other franchisees can also operate in your territory. The franchisor has to tell you by law any historic information relating of the territory or the site which is relevant to your franchise purchase.

DISCLOSURE DOCUMENT FOR FRANCHISEE OR PROSPECTIVE FRANCHISEE

Date of preparation of this disclosure document

The disclosure document contains some of the information you need to enter into a franchise agreement. It should be read together with the information statement you have received.

Entering into a franchise agreement is a serious undertaking. Franchising is a business and, like any business, the franchisor has a financial interest in the success of the franchise. This will be reflected in the terms of the franchise agreement. You will be asked to sign the agreement after signing the agreement. During which you may terminate the agreement.

A franchise agreement is legally binding on you if you sign it. You are entitled to a waiting period of 14 days before you enter into the agreement. If you do not terminate the agreement within the waiting period, the franchisor may, within 14 days, sign a separate document of consent or other similar document to you to the franchisee under the agreement. However, the franchisor may request from the franchisee a reasonable amount of money. If the amount of that money has been set out in the agreement.

You should also read the disclosure document. Ask the franchisor to give you a copy of the disclosure document and to explain to you the requirements of the franchise agreement.

You should also read your own solicitor about the franchise and about the business of the franchise. You should get independent legal, accounting and business advice before signing the franchise agreement.

It is often prudent to prepare a business plan and projections for profit and cash flow. You should also consider educational courses, particularly if you have not operated a business before.

The disclosure document is signed by the director of [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

DISCLOSURE DOCUMENT

Conditions of the supply of goods and services: It must contain the conditions you have to comply with as a supplier and those that the franchisor has to comply with when providing you with goods and services. The franchisor also has to give you details of any goods and services sold online and how it affects your business.

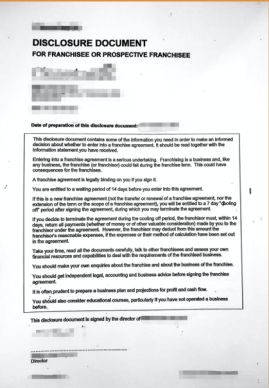
Fees and payments: for the duration of the franchise agreement. These fees include royalties, marketing levies, renewal and transfer fees, as well as fees payable to third parties, such as landlord and other suppliers of goods or services.

Obligations of the franchisor and the franchisee: including initial and ongoing training and maintenance and improvements of the franchise system.

Earnings projections

Financials of the franchisor: for the last two financial years or an independent audit report stating that the franchisor can pay debts as and when they fall due.

Agreements to apply at the end of the franchise agreement: it depends on the franchise agreement whether you have the option to renew it or enter in a new one. The franchise agreement establishes also whether it is possible to extend its term.



BEFORE SIGNING THE FRANCHISE AGREEMENT YOU HAVE AT LEAST 14 DAYS TO



GET ADVICE by legal, accounting or business professionals



READ ALL THE DOCUMENTS provided by the franchisor



KNOW YOUR RIGHTS



CONTACT CURRENT AND PAST FRANCHISEES TO GET THEIR EXPERIENCES

You can find their contact details in the disclosure document.



CHECK THE FRANCHISOR'S BACKGROUND on www.asic.gov.au

HAVE YOU CONSIDERED ALL THE RISKS?

LET'S DOUBLE CHECK



TERRITORY AND ONLINE SALE

Check if your business has the exclusivity in your territory or if the franchisor can sell online. Avoid any unexpected competition.



SUPPLIERS RESTRICTIONS

You will be required to use the franchise supply network, even if it may increase your cost and reduce your profit.

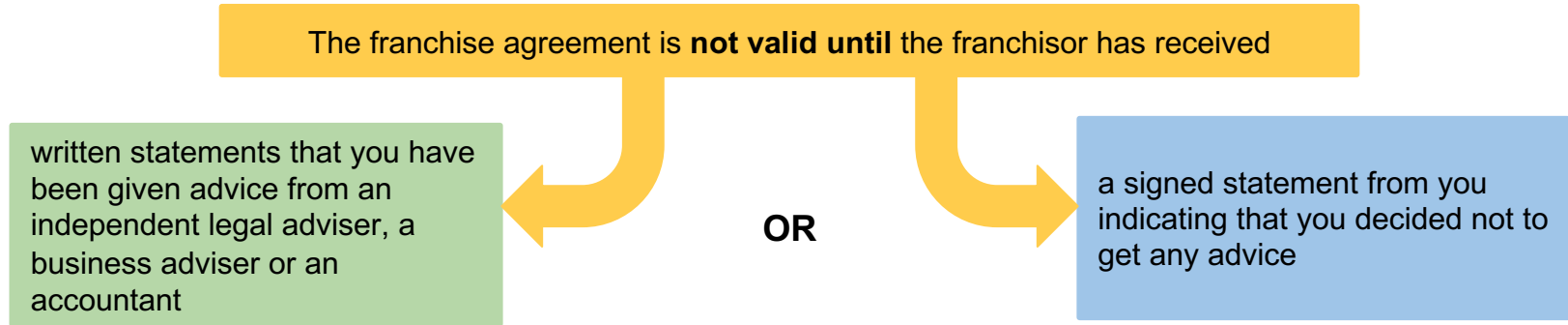


COST

Make sure you understand the cost of the upfront fees, the cost of establishing and maintaining your business and any significant expenditure you might have to pay.

BEFORE SIGNING THE FRANCHISE AGREEMENT OR PAY ANY NON REFUNDABLE MONEY

You will need to sign a **written statement** stating that you **received, read and understood** the **Disclosure Document** and the **ACCC Franchising Code of Conduct**.



The statement regarding professional advice is not required by the Code in case of renewal or extension of the franchise agreement.

WHAT HAPPENS IF YOU CHANGE YOUR MIND AFTER SIGNING THE FRANCHISE AGREEMENT?



You have **7 days** from the signing of the contract to communicate to the franchisor your decision to be released from the contract.

You will receive the refund of the payment after deduction of reasonable expenses within 14 days.

This period is not applied in case of renewal or extension of the term.



If you occupy a property UNDER a LEASE
The franchisor must provide you with:

a copy of the lease or the agreement to lease within 1 month of its signing

details of any incentive or financial benefit the franchisor is entitled to receive as a result of the lease, within one month of their signing

If you occupy a property WITHOUT a LEASE
The franchisor must provide you with:

a copy of the franchisor's lease or the agreement to lease, within one month after occupation

details of any incentive or financial benefit the franchisor is entitled to receive as a result of the lease, within one month after occupation

a copy of the documents that give you the right to occupy the property, within one month of their signing

written details of the conditions of occupation, within one month of their signing

DOCUMENTS DURING THE AGREEMENT

DISCLOSURE DOCUMENT



You can request a disclosure document **once every 12 months** and the franchisor will provide you this within 14 days.

If the franchisor doesn't have the annual update, they have 2 months to provide you with the updated one.

The franchisor must inform you within 14 days if one or the following facts occurs

- change of majority ownership
- court proceedings
- change in the intellectual property

FINANCIAL STATEMENT



If according to the franchise agreement you must pay money to a marketing or other cooperative's fund, the franchisor must prepare an annual financial statement of all the fund's receipts and expenses within 4 months of the end of the financial year.

The statement must be audited, unless 75% of franchisee who contribute to fund vote that an audit is not required. The decision must be revisited every year. The franchisor must provide you with the financial statement and auditor's report (if required) within 30 days after their preparation.

HOW TO GET OUT OF YOUR FRANCHISE CONTRACT BEFORE THE END OF THE CONTRACT?

TRANSFER OF THE FRANCHISE AGREEMENT TO ANOTHER PERSON



If you decide to **sell the franchise**, you must seek the franchisor's permission and approval in writing



The franchisor must communicate to you whether the **permission** is given or not

- ! In case the new potential franchisee doesn't comply with some criteria, the franchisor can **reject** to transfer the franchise
- ! The franchisor may **withdraw** the approval within 14 days of granting it by informing the franchisee in writing of the decision and setting out the reasons
- ! If the franchisor does **not respond** within 42 days, approval is taken as given and the franchisor cannot withdraw approval anymore

THE FRANCHISOR CAN TERMINATE THE AGREEMENT BEFORE THE CONTRACT ENDS



IN CASE OF BREACH OF THE AGREEMENT BY THE FRANCHISEE

The franchisor must give you a notice of the breach and you need to fix the breach within 30 days. If you fix the breach the franchisor can not end the agreement.



IN CASE OF NO BREACH OF THE AGREEMENT BY THE FRANCHISEE

If the franchise agreement allows the franchisor to end the agreement they must give you written notice and reasons.



IN CASE OF SPECIAL CIRCUMSTANCES

The franchise agreement can include special clauses that allow the franchisor to end the agreement in addition to the cases mentioned above.

EXTENSION OF THE FRANCHISE AGREEMENT



There is not guarantee you will able to keep your franchise business after the initial period of the agreement ends.

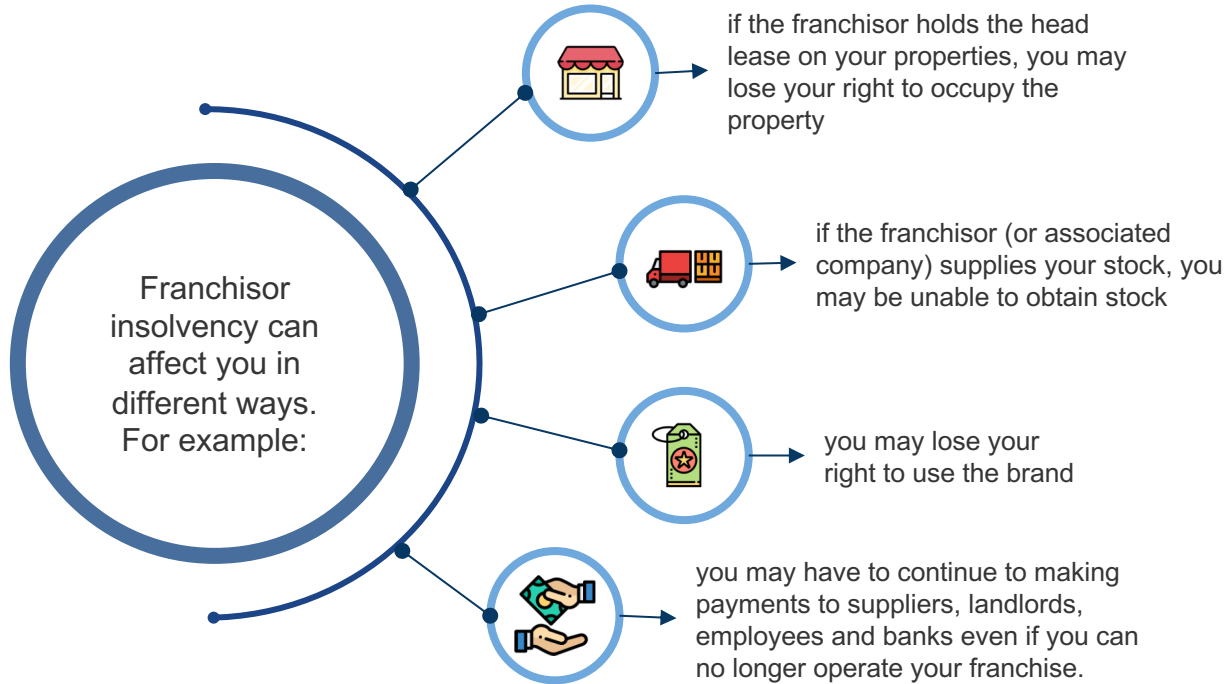
The franchisor must notify you in writing, **6 months before the end**, whether they intend to extend the agreement or enter in a new one.

If the term of the agreement is less than 6 months, than the franchisor must notify 1 month before the end.

WHAT HAPPENS IF THE FRANCHISOR IS INSOLVENT?



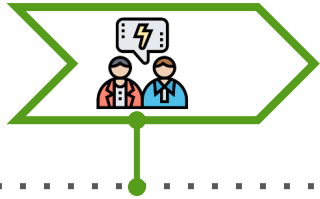
Insolvency is the condition of not having enough money to pay debts or buy goods.




Before buying a franchise, you should look at the franchise agreement to see if it says anything about franchisor insolvency. Also talk to a lawyer and accountant to clarify what your rights and responsibilities would be if the franchisor did go under.

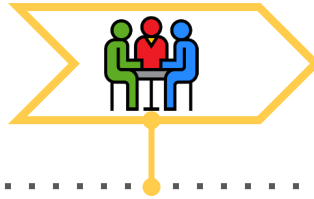
ANY TROUBLES WITH YOUR FRANCHISOR?

If you have a **problem** with your franchisor, you should notify the franchisor in writing the details of the problem and how you think it should be resolved.

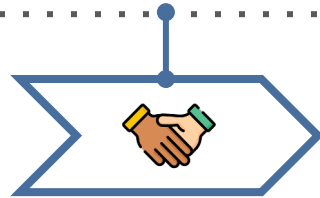
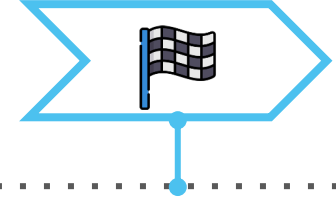


If you cannot agree within 3 weeks you can ask for **MEDIATOR**'s help.

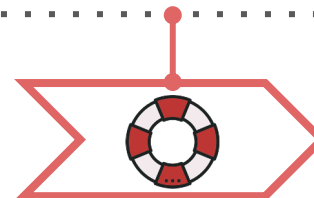
 You and the franchisor split the **cost** of the mediation, unless you have agreed otherwise in the franchise agreement.



If the dispute is unresolved after 30 days from when it started, either you or the franchisor may ask the mediator to **end mediation**. The mediator may also choose to end the mediation without a request.



Try to reach an **agreement** together



If you cannot agree on a mediator, you or the franchisor can ask the **FRANCHISING MEDIATION ADVISER** to appoint a mediator. You and the franchisor must attend mediation.

FURTHER INFORMATION ON FRANCHISING



Available at <https://www.accc.gov.au/> or by calling the **ACCC Small Business Helpline** on **1300 302 021**, Monday to Friday from 8.30am to 5.30pm AEST/AEDT.

IF ENGLISH IS NOT YOUR FIRST LANGUAGE, you can call the ACCC through our **translating** and **interpreting service** on **131 450** and ask for **1300 302 021**.