

# NEW REPORT SHOWS

PRE ENTRY INFORMATION STRONGER IN  
FRANCHISING THAN WIDER SMALL BUSINESS



“It’s important you thoroughly research the available information to assess your own capabilities and financial resources to deal with the requirements of the franchised business.”

Michael Paul, Chairman,  
Franchise Council of Australia.



Following the commencement of the scheduled 2013 Franchising Code of Conduct review, along with a Federal election looming in September, it is understandable that there is an increased focus on regulation in our sector this year.

Around the same time of the release of the Wein report, containing 18 recommendations for improvements to our national Code, new research has also come out of Griffith University around the survival factors affecting people in small business, *Survival of the fittest: The performance of franchised versus independent small business during economic uncertainty and recovery*.

The survey was conducted over a two-year period and measured 20 survival factors and their impact on both franchisees and independent small business owners during the global financial crisis.

Interestingly, for a report conducted between 2010 and 2012, both the franchisee and independent respondents did not feel the economic climate was a major factor in their success or failure.

What the research revealed was that personal factors such as motivations, personality, decision making autonomy and adaptability were more likely to affect business survival than external factors.

The report also showed that successful franchisees believed that sufficient information was available to them, spent considerable time in researching the business opportunity, sought considerable external guidance and were actively and personally involved throughout the evaluation phase. On the other hand struggling or

failed franchisees believed that available information was insufficient and had either underutilised or discounted obtaining independent external advice.

The report highlighted that it was apparent that successful franchisees exerted significantly more effort in conducting adequate due diligence than struggling or exited franchisees.

This validates what we at the Franchise Council of Australia have been encouraging for years. Due diligence. The more research you undertake before investing in a franchise or any other kind of business, the more realistic you will be in your expectations – and the more likely you will be to succeed.

One of the great things about franchising as a business sector in Australia is the sheer abundance of information that is available, both to those already operating in franchising, and those looking to get their foot in the door.

At the time of writing, we are still waiting on the Federal Government’s response to the Wein report. What this research shows us is that while many of the recommendations to come out of the report are worthwhile and will enhance our sector, further legislative intervention at the pre-entry level is not necessary. Franchising is already a sector focused on education and transparency. This research confirms that not only is

there adequate information on franchising as a business model available, but those who are prepared to make a proper effort at due diligence before investing are actually making use of it.

For those considering opening your own business through an established franchise brand, there are a number of places you can go to begin your research. This publication is an excellent place to start. The Franchise Council of Australia franchising knowledge base, available on the FCA website ([www.franchise.org.au](http://www.franchise.org.au)) contains the preliminary ‘What is franchising’, delves deeper with articles such as ‘Understanding the risks and rewards of franchising’ and provides access to external documents like The Franchising Code of Conduct.

I would also encourage you to make contact with the brands you are interested in and ensure that before you ultimately commit to purchasing a franchise that you speak to some of their franchisees. It is in the franchisor’s best interest that you become part of their business with as much background knowledge as possible, so they will facilitate this for you.

The rewards and benefits of franchising are well publicised and there are lower risks involved in buying a franchise compared to starting your own business - but like any business there are still risks. Franchising is not like working a job. It’s important you thoroughly research the available information to assess your own capabilities and financial resources to deal with the requirements of the franchised business.

Utilising the ample information and support available to you during the initial research stage will ensure you have realistic expectations and the best possible chance at success.