



# JOIN OUR FAMILY

Franchise Information Guide



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# WELCOME TO FERGUSON PLARRE

**Thank you for taking the time to enquire about Ferguson Plarre.**

We're a family owned and operated business that started over 120 years ago at Otto Plarre's European style bakehouse in Moonee Ponds. We've now grown to become one of Australia's most famous and well-loved bakeries with over 85 locations baking millions of guests happy every year.

We operate a franchise model for our bakehouses and we're really good at it - that's why we've been recognised as one of the best franchises in Australia by the Topfranchise Awards every year since 2013.

The secret behind the success of our business isn't just our award-winning products, it's also the amazing people who own each of our stores.

Our success relies on great support and I'm proud of the hundreds of people behind the scenes striving to make every franchise a success. Making the products are bakers, chefs, and decorators with support from cleaners, delivery drivers and engineers. There's award-winning trainers and baristas, business support from HR, finance and marketing teams, a dedicated team of franchising and property specialists and our Business Support Managers, helping every franchisee maximise their potential.

Please take some time to learn about our business and when you're ready to join the family, talk to our Franchise Recruitment Team who can help you become the owner of your very own Ferguson Plarre's Bakehouse.



Steve Plarre, CEO & Director.



# WHY FRANCHISE WITH FERGUSON PLARRE?

## NO BAKING REQUIRED BY STORE OWNERS

Every store receives freshly baked, fully finished products daily, which means no early starts and no baking or cooking is required in-store.

## 120 YEARS *Baking People* HAPPY

Our business is still family owned and operated by the 4<sup>th</sup> generation of the Plarre family.

## RESILIENT BUSINESS

We have a strong and resilient business model that has survived and thrived through 2 world wars, 2 depressions and 2 global pandemics.

## FAMOUS AUSTRALIAN BRAND

We're one of Australia's most famous bakery brands with a network of over 85 stores and growing.



## TOP FRANCHISE

We've been recognised as one of Australia's Best Rated Franchises at the prestigious Topfranchise Awards every year since 2013.

## NO ROYALTY OR MARKETING FEES

Our costs are always transparent, honest and fair and unlike most other franchise businesses there are no royalty or marketing fees.

## AWARD-WINNING PRODUCTS

Our products are crafted in our good-for-the planet bakery using high quality Australian ingredients. It's no surprise our pies, pasties and cakes have won hundreds of awards for excellence over our 120 year history.

# ABOUT US

Learn about Australia's longest running retail family bakehouse. Baking people happy since 1901.

**"FERGUSON PLARRE  
HAS FAMILY VALUES AND  
ARE VERY PASSIONATE  
ABOUT THEIR RECIPES"**

Trish Challons, Karingal Hub  
and Rosebud

# OUR VALUES

At Ferguson Plarre we have a strong set of values that are shared right across our business and guide us in everything we do.



## ONE FAMILY

Together we will achieve and celebrate our goals.  
We treat each other as equals.  
We will support each other in prosper and peril.



## *Courageous*

We are fearless in our desire to achieve.  
We will respectfully challenge when and where required.  
We are not afraid of pushing the boundaries.



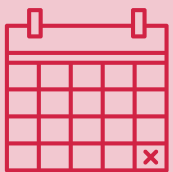
## PROUD

We love what we do and we are grateful.  
We deliver products and services that create joy.  
We celebrate our wins.



## CUSTOMER OBSESSED

We will put the customers' needs first every day, every time!  
We will make customer relationships about more than just a transaction.  
We will always give our customer an amazing experience.



## OPTIMISTIC

We are always future focused.  
We are persistent in the pursuit of success.  
We are energised by the unknown.



## **FUN** *Loving*

We have fun whilst being our best.  
Fun should be part of everything we do.  
Everyone deserves to be happy.



## SUSTAINABLE

We care about the future our children will inherit.  
We make socially responsible & ethical decisions.  
We will be a force for good.

# OUR HISTORY

**1901**

Eliza Ferguson opens her catering business on Lygon St in Melbourne, serving extravagant birthday and wedding cakes. Eliza's son Percy will go on to open their first bakehouse in 1913.

**1924**

Ferguson's Cakes opened on the corner of Sydney Road and Bell Street, Coburg, where the Ferguson Plarre store remains today.



**1911**

Otto Plarre opens the first Plarre's Cakes store on Puckle Street in Moonee Ponds. His motto was Quality, Variety, and Good Service.



**1963**

Plarre's Cakes supplied Queen Elizabeth II and her entourage with their famous cakes during her visit to Australia.



**1966**

In October 1966, "Plarre's Cakes of Distinction" supplied rum truffles, green frogs and other 'Fancies' for USA President, Lyndon B. Johnson.

**1980**

The two families officially amalgamate to create Ferguson Plarre Bakehouses.

**1987**

Ferguson Plarre Bakehouses begins franchising, originally to family members.

**2012**

The Plarre family becomes the sole owners of Ferguson Plarre Bakehouses.

**2021**

Ferguson Plarre celebrates its 120<sup>th</sup> anniversary.

**TODAY**

The Plarre family continue to own and operate the business which now has over 85 stores and continues to grow. They're still dedicated to making great quality products and delivering exceptional service to their guests.

Read more at [fergusonplarre.com.au/our-history](https://fergusonplarre.com.au/our-history)



# OUR FOOD QUALITY FIT FOR A QUEEN

Food is what we're famous for and whether it's sweet or savoury, our award-winning products keep our guests coming back for generations.

Our bakers are the best in the business and use quality Australian ingredients to craft traditional favourites and innovative new flavours you and your guests will love.



## SAVOURIES

Every great bakery is defined by their savouries, and our product range is freshly baked each day and packed full of award winners. We've been awarded more than 50 Gold, Silver or Bronze medals for our pies, pasties and sausage rolls.

Our famous pastie, the Tiddly Oggie, was recognised as Australia's Best Traditional Pastie in 2020 and our Large Sausage Roll was voted Victoria's Best by the Baking Association of Victoria in 2015.

Our savoury range also caters for those with dietary requirements and our innovative plant-based savouries and gluten free range are all award-winning. Our Gluten Free Beef Pie and Gluten Free Sausage Roll are both officially endorsed by the Coeliac Society Australia and awarded Gold Medals by the Baking Association of Australia.



## SWEETS

With a huge range of classic favourites and new, exciting desserts there really is a sweet treat for everyone at Ferguson Plarre. Our sweets are so good even Queen Elizabeth II and USA President Lyndon Johnson chose our cakes for afternoon tea!

Only the finest ingredients will do and we take great pride in only using real cream and real custard when we make products like our award-winning Vanilla Slices and Custard Tarts.

# OUR FOOD CONTINUED...

## CELEBRATION CAKES

Whether it's a small family party at home or a wedding with lots of guests, at the heart of every celebration is a spectacular cake from Ferguson Plarre.

With hundreds of designs available, each celebration cake is lovingly baked and hand-decorated by our skilled team. Guests can customise their flavours, fillings and colours and they can even add their favourite photo on the top of their cake.

We also cater for those with dietary requirements and we now have delicious vegan and flourless products so everyone can celebrate.



## EXCEPTIONAL COFFEE

Great coffee is a must for Australians and ours does not disappoint. Our exclusive, award-winning blend compliments our sweets and drives intense customer loyalty.

Great beans aren't the only ingredient for a great cup of coffee and our dedicated in-house Coffee Team work tirelessly to train the specialist baristas that operate in each of our bakehouses and produce only the best brews for our guests.

Our drinks range isn't just focused on coffee, our innovative range of milkshakes, frappes, smoothies and juices mean there's a great beverage for every guest.

# OUR PASSION FOR SUSTAINABILITY

**Sustaining generations takes more than quality products and services. It takes personal responsibility, innovation and a willingness to think of new ways to do business. As a large Australian business, we believe it's important that we play our part to ensure that our planet is left in good shape for our children and grandchildren.**

That's why we started the Ferguson Plarre Forest initiative in 2007, with our carbon offset partners GreenFleet. For every kilometre travelled by our delivery trucks, we're doing our bit for the environment by planting trees to offset our carbon emissions.

The Ferguson Plarre Forest has grown to include over 40,000 trees and while they're doing a great job of turning CO2 into oxygen, they're also helping to support our natural Australian fauna and reducing soil erosion.

It's not just about offsetting our carbon emissions though. We are doing all we can to reduce our impact in the bakery and we were very proud to win the Banksia Award for sustainability in 2009:

- For recycling and recovering energy from our fridge motors.

- Channelling over 95% of our waste into recycling streams.
- Using our on-site water tanks (each carrying over 100,000 litres of rainwater) for irrigation and cleaning our delivery trucks.

Having built a world-class sustainable baking facility and made significant reductions in our overall environmental impact, our challenge now is to maintain this energy and drive to identify further opportunities to improve.

This extends to ethical ingredient sourcing including hormone-free beef, free-range chicken and using local ingredients where possible as well as being an employer of choice due to the way we treat our people.



# HOW IT WORKS

## OUR MODEL

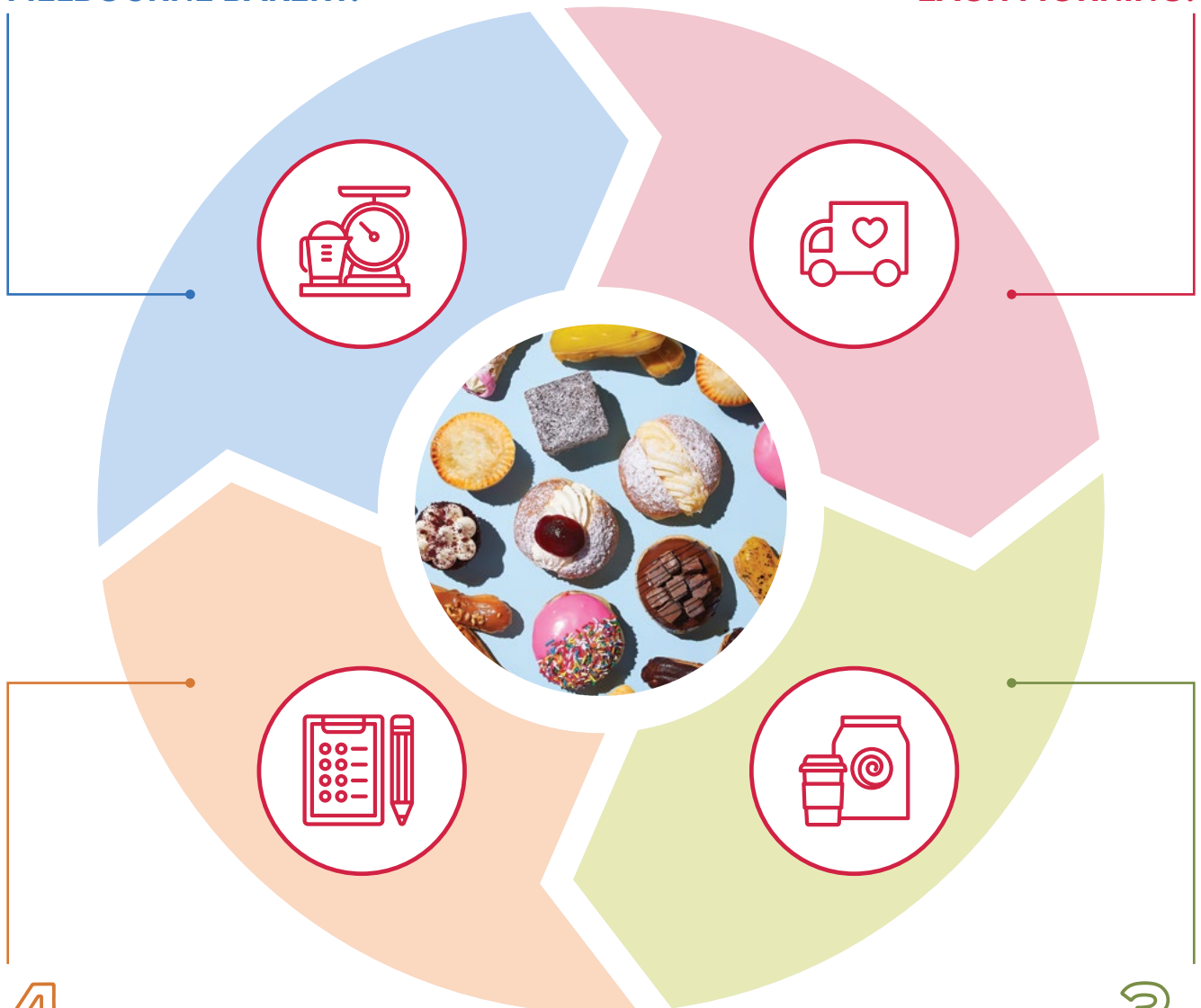
The Ferguson Plarre franchising model is simple and effective with no hidden costs and no baking in-store.

1.

**WE CREATE AMAZING PRODUCTS AT OUR CENTRAL MELBOURNE BAKERY.**

2.

**WE DELIVER FRESHLY MADE PRODUCTS TO YOU EACH MORNING.**



4.

**YOU ANALYSE YOUR SALES AND PLACE AN ORDER FOR THE FOLLOWING DAY.**

3.

**YOU OPEN YOUR BAKEHOUSE AND SELL FRESH FOOD AND DRINKS TO YOUR GUESTS.**



# BECOMING A FRANCHISEE

Like what you see? Discover how easy it is to join our team and become a Ferguson Plarre franchisee.

“THIS FRANCHISE IS SUPER SUPPORTIVE, FUN AND HONEST. IT IS NOT JUST A FRANCHISE BUT IT’S A FAMILY AND WE ALL WORK TOGETHER TO MAKE SOMETHING SPECIAL”

Amy-Lea Hovey, Hoppers Crossing,  
Point Cook and Sanctuary Lakes

# WHAT ARE THE ATTRIBUTES OF A SUCCESSFUL FRANCHISEE?

1. A passion for the Ferguson Plarre brand, products and guests.
2. A strong communicator with the ability to lead and manage a team.
3. The ability to follow a proven system.
4. Community and sustainably minded.
5. Having ambition, being determined and working hard.
6. Being motivated and hands-on.
7. Strong organisation skills.



# HOW DO YOU BECOME A FRANCHISEE?

Becoming a Ferguson Plarre franchisee is easy and our experts will help guide you through each step of the process.

## STEP 1. Application Form

Complete a simple application form.

## STEP 2. First Meeting

Meet our Franchising Team.

## STEP 3. Due Diligence

Complete a self-assessment form.

## STEP 4. Store Placement

Gain an insight into operating a bakehouse.

## STEP 5. Support Office Meeting

Visit our Head Office and complete a bakery tour.

## STEP 6. Secure the Ideal Site

We secure your bakehouse location.

## STEP 7. Commence Training

Commence 4 weeks full time training.

## STEP 8. Store Design

Your new store is designed by our experts.

## STEP 9. Franchise Documentation

Complete legal documentation.

## STEP 10. Store Set Up & Settlement

Grand opening followed by our 6-month support program.



# YOUR INVESTMENT

## START-UP COSTS

- **Franchise fee: \$55,000 ex GST.**  
This is a one off fee.
- **Security deposit: \$20,000 ex GST.**  
Refundable on exit.
- **Your own legal fees.**
- **Training Fee: \$5,000 ex GST.**  
Offset against Franchisee fee once training has been successfully completed.
- **No bank guarantees**  
this is done by the Franchisor as they hold the head lease.

## ONGOING COSTS

- **Administration fee**  
3% on all products purchased.
- **Franchise renewal fee: \$7,000 ex GST.**

## PLEASE NOTE

- **No royalty fees.**
- **No marketing fees.**



# OUR BAKEHOUSE FORMATS

Location is an important factor when it comes to the success of a bakehouse. Store designs are completed by our team of experts and trusted partners to ensure the best experience for your guests.



## THE HIGH STREET

Our high street sites are strip locations strategically situated on popular streets with foot-traffic and have a general footprint of around 60 – 100sqm including accompanying outdoor seating (council regulations permitting).

**Investment Range: \$430k - \$470k**



## THE KIOSK

Typically found in the fresh food precinct or adjacent to a major supermarket within a shopping centre.

Our kiosk stores tend to benefit from superior visibility and often attract favourable rental terms. Our kiosks have a general footprint of 25 – 35sqm with an additional seating area measuring 10 – 20sqm.

**Investment Range: \$320k - \$350k**



## THE DRIVE-THRU

Our latest store format is the drive-thru. Positioned alongside busy, major roads and often placed alongside existing petrol and convenience locations, our drive-thru sites are designed with high visibility in mind. This new format is well placed to meet the modern demand for convenience and features our full menu alongside additional beverage offerings perfect for those on-the-go.

**Investment Range: \$690k - \$730k**



## THE IN-LINE

Located within a shopping centre, near a major supermarket and positioned to feed off the main customer flow.

Our in-line stores have a general footprint size of around 70 – 90sqm including seating area and storage.

**Investment Range: \$370k - \$410k**

# ADDITIONAL

## *Support*

Our award-winning Training and Support Team are here to bake your life easy.

“THE RELATIONSHIPS AND ACCESS TO THE FRANCHISOR ARE SECOND TO NONE. ASSISTANCE WITH PROMOTIONAL WORK THROUGH OUR SUPPORT MANAGERS, AMAZING PRODUCT AND VIABLE BUSINESS SUSTAINABILITY.”

Todd Agius, Merrifield



# FRANCHISEE TRAINING

Our in-house Training Team will teach you everything you need to know to become a successful franchisee. There's a lot to learn but you're in good hands, our Training Team is award-winning, collecting the gold award for Best Learning Model – Blended at the prestigious LearnX Live Awards in 2020.

## TRAINING EXPECTATIONS

All franchisees must have a successful products assessment, practical assessment and final written assessment pass rate of at least 90% before they can commence operating in their bakehouse.

## TRAINING PROGRAM

### Week 1 to 4

Classroom training takes place at our Head Office and practical workplace-based training will be completed in a real life setting, at our designated training store.

Amongst many other lessons, your training will consist of:

- How to order products, including our celebration cakes
- Using our point of sale system
- Food safety
- How to recruit and train staff
- How to deliver amazing customer service
- Barista training

### Week 5

When your store has opened, our Training Team will continue to work with you on-site for 5 days, to solidify everything you have learnt.

### Week 6 onwards

Over the next 6 months your Business Support Manager will continue to provide follow up support including reviews of your:

- Sales & profitability
- Stock levels
- Staff rostering
- Marketing & merchandising



## TRAINING DAYS & HOURS

### In Store Training:

Monday to Friday, 6am – 9pm

### Classroom Based Training:

Monday to Friday, 8am – 4pm

# TRAINING SUPPORT



## CUSTOMER SERVICE TRAINING

We will ensure that your team is trained in every aspect of the in-store customer experience with an extensive hands-on and online training program.



## COFFEE SUPPORT

Our specialist coffee trainers will train you and your staff on how to operate and maintain your coffee machine.

The Coffee Training Team will work with your store on an ongoing basis to keep growing and building your store's ability to deliver great coffee. If you successfully complete your training, you and your nominated team members will be qualified baristas!

# ONGOING SUPPORT

## DEDICATED BUSINESS SUPPORT MANAGER

We believe that franchising should be about being in business for yourself but not by yourself, which is why we provide you with a dedicated Business Support Manager.

Your Business Support Manager is the first point of contact for your business and can help you with:

- Recruitment
- Human resources
- Local area marketing
- Sales
- Budgeting
- Performance
- Mentoring
- Problem-solving



# ONGOING SUPPORT CONTINUED...

## MARKETING

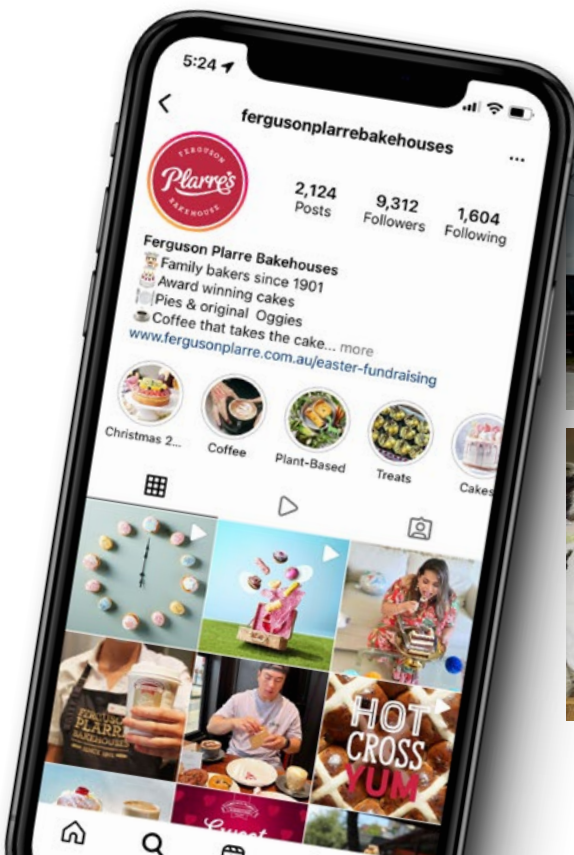
Ferguson Plarre has a dedicated in-house Marketing Team resourced with expert marketers, digital specialists and designers, all working to support our stores, keep Ferguson Plarre front of mind and engage our guests.

Major seasonal campaigns are an important part of life at Ferguson Plarre. Whether it's Christmas, Easter or Mother's Day the Marketing Team support key selling periods with beautiful merchandising materials for your store and raise awareness of our offering with major advertising initiatives brought to life on TV, radio, outdoor billboards and online.

Our digital specialists work to keep our website looking fresh and selling cakes, even when your store is closed!

They manage our presence on social media and use our extensive databases to keep our guests up to date on the latest products and offers. They also look after Sweet Rewards, our loyalty program that's designed to keep guests coming back to your store and manage our relationships with delivery aggregators like Uber Eats.

Local area marketing is key to running a successful store and the Marketing Team can help you to engage with your local community with bespoke materials to support your latest initiatives. Unlike other franchise businesses there are no additional fees for marketing support at Ferguson Plarre.



# ONGOING SUPPORT CONTINUED...



## ONLINE PURCHASING APP

You have access to the Ferguson Plarre Online Purchasing App (OPA). This application is a simple way to order products for your store, ready for delivery on your chosen day.



## ACCOUNTING

We provide you with accounting tools to help manage your finances. These tools will assist with debtor and creditor management, accounts payable, payroll processing and accounts receivable.



## HUMAN RESOURCES

We offer services that allow you to create and manage your rosters and share it with your staff. We help you send out payslips and pay your employees.



## LEARNING MANAGEMENT SYSTEM

We have a dedicated online training system which you and your employees can access at any time. The training educates your employees to give them a better understanding of the operations.



## POINT OF SALE SYSTEM

Our point of sale system is easy to use and a great way to manage your sales. This essential tool allows you to track sales, calculate wastage and manage refunds.



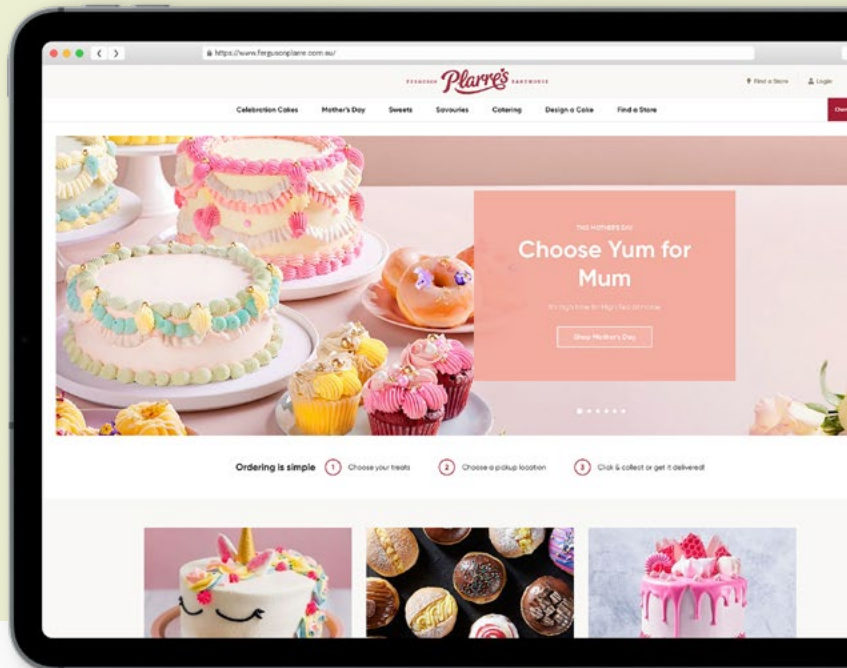
## INTRANET

Our Intranet gives you easy access to franchisee news, information, links to resources, commonly used forms and can be used on any device.

# SERVICES FOR YOUR GUESTS

## FERGUSONPLARRE.COM.AU

Ferguson Plarre has an easy to navigate website, allowing guests to place orders online before picking products up from your store or having them delivered to their door. The site has won a series of international awards and generates thousands of dollars in sales each year for every store.



## DELIVERY AGGREGATORS AND SERVICES

Your guests can order any product online using our website and have it delivered to their home address thanks to our delivery partner 13Cabs.

We also have relationships with all main delivery aggregators and encourage our franchisees to gain additional sales via online delivery with Menulog, UberEats, Deliveroo and DoorDash.



## SWEET REWARDS CUSTOMER LOYALTY PROGRAM

Our Sweet Rewards loyalty program is a great way to build relationships with your guests.

This simple, app-based loyalty scheme allows guests to accumulate points every time they visit your store. The more points they collect, the more rewards they earn, bringing them back into your store, again and again... It's just another way we bake people happy every day!



# READY, STEADY, DOUGH!

If you're ready to get started please complete a franchise application form by visiting

[fergusonplarre.com.au/franchising](https://fergusonplarre.com.au/franchising)

If you have more questions please contact our Franchise Recruitment team.

[franchising@fergusonplarre.com.au](mailto:franchising@fergusonplarre.com.au)

(03) 9336 3200

# INFORMATION STATEMENTS



## Thinking of becoming a franchisee?

It is important to consider the risks and the rewards

This document **is not** a complete guide to franchising, it is a starting point.

It should be combined with your own independent legal, accounting or business advice and the disclosure document provided by the franchisor.

Entering a franchise is a big decision. Before you do so, you should:

- **Conduct due diligence**—this means researching the franchise system and talking to current and former franchisees.
- **Get advice**—get legal, accounting and/or business advice from professionals with expertise in franchising.
- **Read all the documents**—carefully study the disclosure document, franchise agreement and any other documents provided by the franchisor.
- **Know your rights**—make your own enquiries to ensure that it is the right decision for you. The Franchising Code of Conduct sets out the rights and obligations of the people involved in a franchising relationship. It can be found at <http://www.comlaw.gov.au>.

You should also consider taking a specialist franchising or business course before making a decision to enter a franchise agreement. There are **free, online education courses** available for prospective franchisees. Some courses can be found here <http://www.franchise.edu.au/education.html>.

### What is franchising?

Franchising is a model for doing business. When you enter a franchise agreement, the franchisor controls the name, brand and business system you are going to use. The franchisor grants you the right to operate a business in line with its system, usually for a set period of time. There is no guarantee you will be able to keep your franchise business after the initial period of the agreement ends.

Franchisors and franchisees must comply with the Franchising Code of Conduct, which exists under the *Competition and Consumer Act 2010*, as well as consumer and company laws. The Franchising Code sets out minimum requirements for a franchisor to provide specific information to you. A franchise agreement, once entered into, is a legally binding contract that sets out the terms of the franchise.

### Why consider franchising?

A franchise can offer particular benefits over other types of businesses. For example, franchises may have an established product or service and an existing reputation and image. It may also give you access to the franchisor's experience and knowledge in the industry, planning, marketing skills and operating procedures. Some franchise systems provide support, some do not.

You should carefully think about whether the franchise system you are considering suits your business experience, skills and needs.

### Understanding the franchising relationship

Two important features of franchising are that the franchisor has established the business system you are using and that most franchise systems rely on each franchise maintaining consistency. For those reasons, franchisees are usually required to strictly comply with the operating procedures set down by the franchisor. As a result, you may be limited in the changes you can make to the franchise system without the agreement of the franchisor.

You will usually also be bound by confidentiality obligations. This includes limits on your rights to use the franchisor's intellectual property or business system outside the franchise.

Most businesses adjust to meet changes in the market. The franchisor might make changes to the franchise system at any time but does not have to discuss them with all franchisees.

## Unexpected expenses

In franchising, as in any business, unexpected expenses may arise. Events such as a natural disaster or a change in the law or Australian standards can impact your business. You need to have a business plan that takes this into account when working out the funds you will need for the future. You should also make sure you have the type of insurance which is right for your situation.

During the life of your franchise agreement, a franchisor might also decide to update computer systems or introduce new uniforms or change the appearance of the franchise system. These changes might not have been thought about when you entered the agreement. Those costs would normally be paid by the franchisee under the agreement.

## The risks of franchising

Statistics suggest franchises have a lower failure rate than other businesses, but franchising is not risk free. Franchising is a business and, like any business, there is the potential for a franchisor or franchisee to become **insolvent**. If this occurs this may have significant impacts on your business, for instance, you may no longer be able to use the franchise system's branding.

Some of the things you should think about are:

- How much **working capital** or **extra funds** you need for the first year or two while the business is getting established.
- Consumer demand for products or services is not the same in every **geographical area** and a franchise system might not be successful in every area.
- As a franchisee, you may not have an **exclusive territory**.
- Your franchisor may have the ability to compete with you **online**.
- As a franchisee, you won't necessarily have the **choice of where you buy the products** you need to run the business, even if you believe you can get those products for a lesser price somewhere else.
- An agreement may allow the franchisor to **terminate the agreement** even if there hasn't been a breach by a franchisee.
- Some **locations** are better for some businesses than others (i.e. consider a shopping centre versus a main street).
- The **economy** has its ups and downs.
- Whether the business is a **fad** or should it pass the test of time.

You may not have an automatic right to renew your agreement once the initial term is over. You should think about what happens at the end of the agreement:

- Will you be able to recover your outlay and make a profit during the term of the agreement?
- What are your rights and responsibilities around renewing your franchise agreement?
- What are the rules about you selling your business?
- Are there any restrictions on you starting a similar business if you want to?

The **Australian Competition and Consumer Commission** (ACCC) administer and enforce the Franchising Code. For example, the ACCC can provide information on how supply arrangements work in a franchising relationship.





## Further information

Further information on franchising can be found at <http://www.accc.gov.au> or by calling the ACCC Small Business Helpline on 1300 302 021.

# INFORMATION STATEMENT FOR PROSPECTIVE FRANCHISEES

## BEFORE YOU SIGN THE FRANCHISE AGREEMENT

*Entering a franchise is a big decision. Before you sign a franchise agreement, have you checked these important things off the checklist?*

✓	 Learn about franchising	<p>Franchisees who participate in pre-entry training tend to have better relationships with their franchisor and be more successful in business. Free, online courses for prospective franchisees can be found at <a href="http://www.accc.gov.au/franchising-education-program">www.accc.gov.au/franchising-education-program</a>.</p> <p>Information about franchising in English and other languages can be found at <a href="http://www.accc.gov.au/buyingafranchise">www.accc.gov.au/buyingafranchise</a>.</p>
✓	 Conduct due diligence	<p>The best way to get to know the franchise business is to thoroughly research the franchise system and study the disclosure document, the franchise agreement and any other documents provided by the franchisor. You can also talk to current and former franchisees to understand what they find rewarding and challenging about the business.</p>
✓	 Get professional advice	<p>It's important to get legal, accounting and business advice from independent professionals with expertise in franchising. They will see risks you can't and will help you in your decision making.</p>
✓	 Consider other options	<p>Looking at more than one franchise business is a good way to test if this is the right franchise for you.</p>

# WHAT IS FRANCHISING?

*It is important that you understand what franchising is before you enter a franchise agreement*

Franchising is a way of doing business based on a brand name and business system. Usually the franchisor controls the system closely. The franchisor grants you the right to operate a business in line with its system, normally for a set period of time. As a result, you may be limited in the changes you can make in the business without the agreement of the franchisor.

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***So in some ways your franchise is your business and in some ways it is not your business.***

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You will usually be bound by confidentiality obligations. This may include limits on your rights to discuss the franchise business with third parties or to use the franchisor's intellectual property or business system outside the franchise.

As the franchise adjusts to meet changes in the market, the franchisor might make changes to the franchise system. A franchisor may be able to make these changes, even if you don't agree with them.

## Benefits

*Some franchise systems offer benefits other types of businesses cannot*

- an existing product or service
- an existing reputation and image
- a pool of resources to fund advertising
- economies of scale when purchasing supplies

Not all franchise systems offer the benefits listed above – and franchising also involve risks.

## Risks

*Even with a well-established brand, franchising is not risk free*

### Watch out for site turnover

Look for warning signs about a franchise system like the turnover of sites. If one site has had many owners (known as churning) it could mean it is not in a suitable location. A high turnover across a system might indicate the system has expanded too quickly or without a plan to make existing businesses successful (known as burning).

### Think about potential unexpected expenses

Franchisors can impose significant capital expenditure on you if certain conditions are met. For example, if some conditions are met a franchisor can make you pay for new equipment or to refurbish your store - even if it costs you a lot of money.

### If something is important, make sure it's in the franchise agreement

Some franchise agreements contain 'no agent' and 'entire agreement' clauses. Franchisors usually include these clauses so the terms of the franchise agreement can override any previous information provided to you. This could include all verbal or written information from an agent, the franchisor or an associate of the franchisor. If there is something important that you've been promised verbally or in writing that is not in the franchise agreement, consider the risk you are taking.

You can choose not to sign the agreement.

These are not the only risks. Can you think of more?



# BEFORE YOU SIGN THE FRANCHISE AGREEMENT

*Take your time to do your research and seek professional advice.  
If the franchisor tries to rush you, remember you can walk away.  
There will always be other opportunities.*

You will have lots of questions to ask your franchisor, professional advisers and current and former franchisees.

Here are some more questions to consider:

## Franchisor experience and reputation

- **How long has the franchise system been operating? What success has it had and where?** The economy has its ups and downs. Consumer demand for products or services is not the same in every geographical area.
- **What experience does the franchisor and its key staff have in managing a business?**

## Start-up costs

- **How much working capital or extra funds will you need to get the business established?**
- **How long will it take you to break even after paying the costs of setting up the business?**

## Ongoing costs

- **Can you only get products from an approved supplier?**
- **Does the franchisor receive rebates from suppliers and how is that rebate used?**
- **Will you pay franchise fees even if you are not making a profit?**
- **Will you make enough money to pay yourself as well as any staff?** Labour costs can be hard to estimate. It is up to you to know what employment laws apply and to comply with them. The Fair Work Ombudsman can help you understand workplace rights and obligations: [www.fairwork.gov.au/franchises](http://www.fairwork.gov.au/franchises)
- **What happens when there is 'wastage' and 'shrinkage' with products?** Some franchise agreements include clauses on wastage and shrinkage. Wastage usually refers to products that are no longer fit for sale. Shrinkage can include theft, another loss or accounting error.

## Earnings

- **Have any profit or earning promises been made to you?** Ask current and former franchisees if profit or earning promises were kept. Their contact details will be in the Disclosure Document.
- **Will you have an exclusive territory in which to operate your business?**
- **Does your franchisor have the ability to compete with you online?**

## Changes

- **What changes can be made without your approval and how will this impact your business?**

## Franchisor-franchisee relationships

- **What are the dispute resolution procedures? Will the franchise agreement include a commitment by the franchisor to binding arbitration?** Arbitration can be a quicker and less expensive way to resolve disputes than going to court. It might be hard to imagine needing arbitration, but it could become important if things go wrong.

## What happens at the end of a franchise agreement?

- **Will you be able to renew the agreement if you want to? Are there conditions on this?**
- **What rules apply if you want to sell the business before the end of the term?**
- **When the franchise term ends, what are you entitled to (such as paid market value for your equipment or for goodwill), and what happens if you are in debt?** Goodwill usually refers to the market value added to the franchise business by the franchisee for example, by building a client-base. However, in franchising, franchisees often have limited rights once the franchise agreement ends. You may not get any value for goodwill at the end.
- **Are there any restrictions on you starting a similar business if the agreement is not renewed?** It's a good idea to obtain legal advice on restraint of trade clauses.
- **If the franchise ends unexpectedly, how would this impact you?** Are you aware of the types of events that may lead to non-renewal or termination of an agreement? For example, if the franchisor becomes insolvent, you may not be compensated for the loss of your business. Nor may you get back the money you contributed to a marketing fund.

Speak to former franchisees to find out what happened at the end of their agreement. Their contact details are in the Disclosure Document.



## IF YOU CHANGE YOUR MIND

### Take your time before you sign

The Franchising Code of Conduct gives you at least 14 days to read all the information that a franchisor provides you, including the franchise agreement, disclosure document, key facts sheet and information about any lease arrangement.

You can take longer than 14 days to study this information and get advice. For most people this is a bigger investment decision than buying a house so it is okay to take your time before signing a franchise agreement.

### Is there is cooling off period if I change my mind?

You are entitled to terminate a new franchise agreement within 14 days. If you choose to exercise this right, you are entitled to a refund of the payments you have made (though reasonable expenses may be retained).

Your rights related to cooling-off are outlined in the Franchising Code of Conduct.

### What if I have doubts?

If you have any doubts, consider not signing the franchising agreement or exercising your right to back out of the agreement during the cooling off period.

Even if you have already invested time and money, it is worth considering how much more you could lose if the business is not successful.



## AFTER YOU SIGN THE FRANCHISE AGREEMENT

### Know your rights

A franchisee may have private rights of action under the Franchising Code of Conduct, the Australian Consumer Law and the law of contract. Your franchise agreement is a contract that contains many of your legal rights and obligations. You may have rights in contract law if the franchisor does not honour the agreement.

The Franchising Code of Conduct requires franchisors to disclose certain information to both potential and existing franchisees. It also sets out minimum conditions relating to the rights of the parties under a franchise agreement. It can be found at [www.legislation.gov.au](http://www.legislation.gov.au).

### Dispute resolution

Franchisors must have an internal procedure for handling complaints. If you can't agree on an outcome within three weeks, either party may refer the matter to mediation or conciliation facilitated by an independent third party. Arbitration is also an option when both parties agree to this process.

Dispute resolution services are provided by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO). Visit the ASBFEO website, email [info@asbfeo.gov.au](mailto:info@asbfeo.gov.au) or call 1300 650 460.

### Enforcing your rights

*If something goes wrong after you sign the agreement, you may need to take your own legal action to enforce your rights.*



### ACCC's role

The Australian Competition and Consumer Commission (ACCC) enforces the Australian Consumer Law and the Franchising Code of Conduct. The ACCC takes action for breaches of these laws where it serves the public interest. The ACCC does not take action on your behalf if something goes wrong for your franchise. You can make a report to the ACCC through its website at [www.accc.gov.au/contact-us](http://www.accc.gov.au/contact-us).

### Sign up to the ACCC's Franchise Information Network

Subscribers receive regular email bulletins about current franchising issues, including changes to the law, information for franchisors about compliance and updates about the ACCC's franchising work. To subscribe, visit [www.accc.gov.au/fin](http://www.accc.gov.au/fin).

## TO GET MORE INFORMATION ABOUT FRANCHISING AND RUNNING A BUSINESS GO TO:

[www.business.gov.au](http://www.business.gov.au) offers information about franchising and running a business.

[www.accc.gov.au/buyingafranchise](http://www.accc.gov.au/buyingafranchise) includes a franchisee manual and other information, videos and publications for people thinking about buying a franchise, including in languages other than English.





[fergusonplarre.com.au](http://fergusonplarre.com.au)