



JOIN OUR FAMILY

Franchise Information Guide



SPECIAL OFFER

FOR FY27

\$0 OPENING FRANCHISE FEES!*

For a limited time only we've removed our opening franchise fees for new store locations, saving you, **saving you \$35,000!** There's never been a better time to own a bakery café with Ferguson Plarre!

Join Ferguson Plarre's Bakehouse as a franchise partner before **30th June 2027** and take advantage of these benefits*



**\$0 OPENING
FRANCHISE
FEE***



**NO
MARKETING
FEES**



**NO
ROYALTIES**



**10 YEAR
FRANCHISE
AGREEMENT***



**12 WEEK
MARKETING
PROGRAM**



**AWARD
WINNING
TRAINING**

*Terms & Conditions

Limited-Time Franchise Incentive
(Valid for contracts completed on or before 30 June 2027)

1. Who Can Apply

- Open to new Ferguson Plarre locations only.
- Applicants must meet our franchise selection criteria and cover all training costs.

2. Key Contract Requirements

- An unconditional Franchise Agreement must be signed, and all disclosure and cooling-off periods completed before 30 June 2027.
- The business purchase price and other associated costs must be paid as required.

3. Additional Terms

- A franchise term of up to 10 years may be available, subject to the underlying lease terms.
- If the store lease ends during the 10 year franchise term, the franchise term may also end at that same time, without compensation
- Lease renewal fees may apply for new or extended leases during the franchise term.
- Store refurbishments may be required during the term either if requested by the landlord or if required to ensure that the store meets our store standards
- A tailored 12-week marketing and bakery promotions campaign will be created in the lead-up to your store opening to help drive awareness and sales from day one.

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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 125 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 80 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.

125 YEARS *Baking People* HAPPY

Our business is still family owned and operated by the 4th 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 80 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 125 year history.

ABOUT US

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

— — — — —
“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

— — — — —



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.

1911

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

1924

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



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 120th anniversary.

TODAY

The Plarre family continue to own and operate the business which now has over 80 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



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 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.



BECOMING A FRANCHISEE

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



WHAT MAKES A SUCCESSFUL FRANCHISEE?



We are seeking franchisees who bring strong energy and a positive presence to their business. Our ideal candidates are enthusiastic, driven and effervescent individuals who are ready to 'bake people happy' every day.

Successful franchisees are hands-on operators with a natural flair for customer service, strong communication skills, and the resilience to lead a team in a busy retail environment. We look for people who are proactive, commercially minded, and committed to building a thriving, community-focused business.

FRANCHISEE CHECKLIST

To be a successful Ferguson Plarre franchisee you will need to tick every box on our checklist. Have you got what it takes?

- A passion for food, people, and retail
- A strong communicator and natural leader
- Customer-obsessed
- Ambitious, hard-working, and hands-on
- Community-minded
- Organised and detail-driven
- Financially savvy and commercially aware
- Calm under pressure and solutions-focused
- Committed to food safety and compliance
- Follows systems and protects the brand
- Experience in retail or hospitality

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. You must be an Australian citizen or permanent resident to apply.

STEP 2. First Meeting

Meet our Franchising Team.

STEP 3. Due Diligence

Complete a self-assessment form.

STEP 4. Head of Retail Meeting

Meet our Head of Retail & discuss your application.

STEP 5. Store Placement

Gain an insight into operating a bakehouse.

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

You're all ready for the grand opening of your store.



YOUR INVESTMENT

START-UP COSTS

- **Opening franchise fee: \$35,000**

Special offer for FY27 - \$0 opening franchise fees for new locations - see page 2 for more details.

- **Security deposit: \$30,000**

Refundable on exit

- **Your own legal fees**

- **Training fee \$5,000 + GST**

- **Working capital: \$30,000**

- **Bank guarantees: Franchisees are responsible for arranging and maintaining any required bank guarantees for their premise lease, at their own cost.**

ONGOING COSTS

- **Administration fee: 3% + GST**

On all products purchased

- **Franchise renewal fee: \$7,000 + GST**

Payable upon the renewal of the Franchise Agreement

- **Transfer fee: \$20,000 + GST**

Payable on exit

OPERATING COSTS

Recommended \$30,000 working capital to manage ongoing costs including:

- **Stock & inventory**
- **Staff wages & uniforms**
- **Ongoing repairs and maintenance**
- **Legal and accounting costs**
- **Rent**
- **Equipment lease fee costs**

PLEASE NOTE

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

Our franchise model does not permit passive investors; it is designed to ensure that the primary franchisee is actively involved in the business on a full-time, hands-on basis as the responsible manager, and our company structure policy requires the primary franchisee to hold a minimum 51% shareholding.



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: \$425k – \$465k ex GST



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: \$355k – \$425k ex GST



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: \$655k – \$695k ex GST



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: \$385k – \$460k ex GST

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. Our team has trained and certified over 500 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

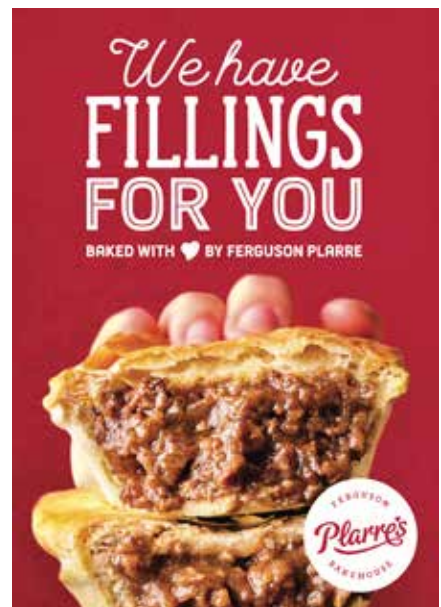
Ferguson Plarre has a dedicated in-house Marketing Team resourced with expert marketers, digital specialists and designers, all working to support our stores, keep Ferguson Plarre front of mind and engage our guests.

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.



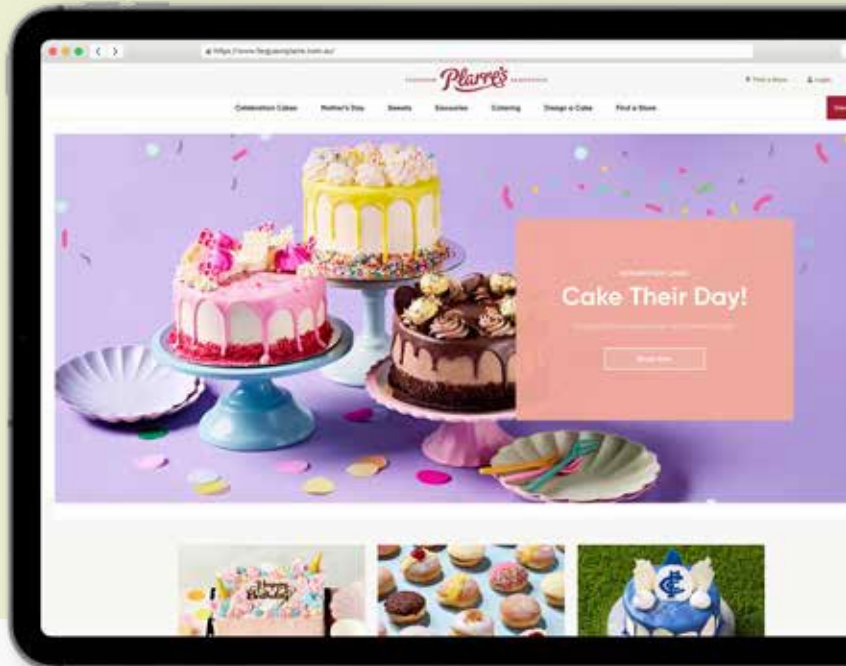
INTRANET

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 UberDirect.

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

All franchise applicants must be either Australian citizens or permanent residents, as this is a mandatory requirement of our franchise approval process.

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

franchising@fergusonplarre.com.au

(03) 9336 3200

INFORMATION STATEMENTS



THINKING OF BECOMING A FRANCHISEE?

ENTERING A FRANCHISE IS A BIG DECISION. BEFORE YOU DO 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.

A GOOD STARTING POINT IS TO VISIT THESE WEBSITES:

- Thinking about buying a Franchise – <https://www.accc.gov.au/business/industry-codes/franchising-code-of-conduct/thinking-about-buying-a-franchise>
- The franchisee Manual – <https://www.accc.gov.au/about-us/publications/the-franchisee-manual>

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.

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 302 502.



Information statement for prospective franchisees

April 2025

Acknowledgment of country

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

Australian Competition and Consumer Commission
Land of the Ngunnawal people
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601
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The ACCC has made every reasonable effort to provide current and accurate information, but it does not make any guarantees regarding the accuracy, currency or completeness of that information.

Parties who wish to re-publish or otherwise use the information in this publication must check this information for currency and accuracy prior to publication. This should be done prior to each publication edition, as ACCC guidance and relevant transitional legislation frequently change. Any queries parties have should be addressed to the General Manager, Strategic Communications, ACCC, GPO Box 3131, Canberra ACT 2601.

ACCC 04/25_25-30

www.accc.gov.au

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Before you sign the franchise agreement

Entering a franchise is a big decision. Check these important things off your list before signing up.

Learn about franchising

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 www.accc.gov.au/franchising-education-program.

Information about franchising (including translations) can be found at www.accc.gov.au/buyingafanchise.

Conduct due diligence

Thoroughly research the franchise system. Study the disclosure document, the franchise agreement and any other documents provided by the franchisor. Talk to current and former franchisees about what they find rewarding and challenging about the business.

Get professional advice

It's important to get legal, accounting and business advice from independent professionals with expertise in franchising. They will identify risks and help you make decisions.

Consider other options

Look at more than one franchise business. It's a good way to test if a franchise is the right fit for you.

The Franchise Disclosure Register is a free directory of franchisors available in Australia.

Use it to compare important information about different franchises, such as costs and contract terms. This can help you make informed decisions.

Check the Franchise Disclosure Register accessible via <https://franchisedisclosure.gov.au/>

Understand franchising

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

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 time. As a result, you may be limited in the changes you can make in the business without the franchisor's agreement.

In some ways your franchise is your business and in some ways it's not

You could 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.

The franchisor might make changes to the franchise system to adjust to market conditions. A franchisor may make these changes, even if you don't agree with them.

When the agreement ends franchisors are not generally required to provide compensation for goodwill. Goodwill refers to the market value added to the franchise business by the franchisee for example, by building a client-base.

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.

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 high site turnover. If one site has had many owners (known as churning) it could mean it's 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 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 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, and you should seek independent advice from a lawyer, accountant and business adviser before you do.

Questions to ask

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 be other opportunities.

Some of the following questions are answered in the Franchise Disclosure Register.

You will also have lots of questions to ask your franchisor, professional advisers, and current and former franchisees. Here are questions to consider:

Franchisor experience and reputation

- How long has the franchise system been operating? What success has it had and where?
- Has the franchise system had any reputational issues?
- What were they and when did they occur?
- What experience does the franchisor and its key staff have in managing a business?
- What is the franchisor doing to encourage, support or train franchisees regarding complying with workplace laws?

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?
- What monthly fees do you have to pay your franchisor? Franchise agreements may include royalties, levies or interest payments, and they can be based on a percentage of your turnover, not your profit.
- Does your franchise system have a specific purpose fund? What is the fund used for and how much are you required to pay?
- What other ongoing costs will be required? Read your franchise agreement carefully and ask your franchisor.
- Will you make enough money to pay yourself as well as any staff? Labour costs can be hard to estimate. It's 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
- What happens when there is product 'wastage' and 'shrinkage'? Some franchise agreements include clauses on wastage and shrinkage. Wastage 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?
- What other businesses will you be competing with in the area?

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 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. You may not get back the money you contributed to a specific purpose fund.

Speak to former franchisees to find out what happened at the end of their agreement.

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. This usually includes the franchise agreement, disclosure document 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's okay to take your time before signing a franchise agreement.

If you make a payment to the franchisor during the 14 days, known as the consideration period, you may give written notice asking the franchisor to repay that amount.

Cooling off period

You are usually 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).

If you have, or have recently had, another franchise agreement with the franchisor you may waive your cooling off rights. You should be careful when waiving your cooling off rights because it can be difficult to terminate your franchise agreement once you sign.

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

If you 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's 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 on the rights of the parties under a franchise agreement. It can be found at www.legislation.gov.au.

Dispute resolution

Franchisors must have an internal procedure for handling complaints. If you can't agree on an outcome within 3 weeks, either party may refer the matter to mediation or conciliation facilitated by an Alternative Dispute Resolution (ADR) practitioner. 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](#), 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 can investigate alleged breaches of these laws and take action in relation to systemic and widespread misconduct. The ACCC is not a complaint handling body. We rarely become involved in resolving individual disputes.

You can make a report to the ACCC via its website at 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.

More information about franchising and running a business

www.business.gov.au offers information about franchising and running a business.

www.accc.gov.au/buyingafanchise includes a franchisee manual and other information, videos and publications for people thinking about buying a franchise, including in languages other than English.



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