



# Franchising Australia 2016

Lorelle Frazer  
Scott Weaven  
Anthony Grace  
Selva Selvanathan

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The *Franchising Australia* biennial surveys have been produced since 1998.

The *Franchising Australia 2016* report is the 10th edition providing longitudinal data of the Australian franchise sector over a period of 18 years. Some of the primary questions we sought to address in this report are:

- 1 WHAT IS THE PROFILE OF BUSINESS FORMAT FRANCHISE BRANDS CURRENTLY OPERATING IN AUSTRALIA?
- 2 WHAT IS THE CONTRIBUTION OF THE FRANCHISE SECTOR TO THE AUSTRALIAN ECONOMY?
- 3 HOW EFFECTIVE ARE FRANCHISORS IN OVERSEEING FRANCHISEE COMPLIANCE WITH WORKPLACE LAWS?
- 4 HOW HAVE MAJOR CHANGES TO THE FRANCHISING CODE OF CONDUCT AFFECTED FRANCHISORS?
- 5 WHAT TRENDS IN FRANCHISE SECTOR GROWTH ARE PREDICTED THROUGH 2018 TO 2020?

[www.franchise.edu.au](http://www.franchise.edu.au)

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Franchising is not a business itself, but a way of doing business. It is an innovative method of distributing goods and services. Franchising provides small business (the franchisee) with the tools of big business (provided by the franchisor).

- Franchise Council of Australia

# Foreword

Griffith University is proud to endorse the tenth biennial Franchising Australia survey sponsored by the Franchise Council of Australia. Representing the only reliable and systematic data collected on the Australian franchise sector, the *Franchising Australia 2016* report provides an up-to-date profile of the sector.

*Franchising Australia 2016* reveals:

There are 1120 business format franchisors in Australia in 2016, compared with 1160 in 2014.

There are an estimated 79 000 units operating in business format franchises, reflecting no net increase in the sector over the past two years.

More than 470 000 people are employed directly in business format franchises.

Sales turnover for the entire franchising sector was estimated at \$146 billion.

Sales turnover for business format franchises was estimated at \$66.5 billion.

Ninety percent of franchise brands originated in Australia.

One third of franchisors have entered international markets.

One third of franchise brands engage in online sales with customers.

Only 1.8 percent of franchisees were involved in a substantial dispute with a franchisor in the past twelve months.

Business confidence has been a significant issue affecting the economy over the past two years. Retail sales have remained relatively flat with the prices of many consumer goods decreasing due to intense price competition and pressure on margins. These trends are reflected in the franchise sector with retail brands, in particular, finding economic conditions challenging. However, despite these constraints, franchise brands have grown internally leading to increases in employment and sales turnover across the sector.

The data provided in this report provides a reliable source of information about the Australian franchise sector. I am very pleased to recommend the *Franchising Australia 2016* survey results to franchise sector stakeholders. The series has produced Australia's only longitudinal data on the franchise sector over the past 18 years. Griffith University is pleased to collaborate with the peak body of franchise representation, the Franchise Council of Australia, in this important research.



Professor David Grant  
*Pro-Vice Chancellor (Business)*  
Griffith Business School



90%

of franchise brands originated in Australia



More than

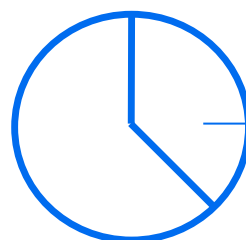
470,000

People are employed in  
business format franchises



79,000

Units  
operating  
in business  
format franchises



One third of  
franchise  
brands  
engage in  
online sales

\$146  
BILLION

Sales turnover  
for the franchise  
sector estimated at



# Executive Summary

The *Franchising Australia 2016* survey gathered current data on the Australian franchise sector during a period of relatively slow economic growth and flat consumer confidence. Following the end of the mining boom which was affected by shrinking activity in China, the Australian economy is rebalancing led by population growth in the southern states.

The key findings of the *Franchising Australia 2016* survey are highlighted in this Executive Summary. Where possible, estimates have been included for the entire population of Australian business format franchises. Franchising activities in motor vehicle and fuel retailing were not captured in the survey due to the unique characteristics of these industries. However, data on motor vehicle and fuel retail franchises have been generated from relevant industry sources<sup>1</sup> and this information has been incorporated into the Executive Summary only.

## Franchise Brands

There are an estimated 1120 franchise brands operating in Australia compared with 1160 in 2014. This gradual reduction in franchise systems is expected as the sector continues to mature. Whilst the number of brands has declined, individual franchise systems have grown internally with modest increases in the number of franchise units.

## Franchise Units

There are an estimated 70 700 business format franchised units and 8300 company-owned units, producing a total of 79 000 units operating in business format franchises in Australia. Whilst the number of franchised units has slightly increased and company units have decreased there has been no net overall change in the number of franchise units since 2014. Approximately 4 percent of small businesses in Australia are franchise units<sup>2</sup>. An additional 6050 fuel retail and 4618 motor vehicle retail outlets are estimated.

The absence of real growth in the franchise sector is in alignment with the state of the Australian economy over the past two years. Franchising is dominated by retailing and this industry segment (particularly non-food retailing) has been faced with intense competition. Food retailing has been more resilient with consumers responding well to variety and innovation in food concepts. We can expect to see plenty of turbulence in the retail sector moving forward.

## Sales Turnover

The total sales revenue of business format franchises was estimated at \$66.5 billion in 2016 (compared with \$65 billion in 2014). Together with estimated motor vehicle sales of \$43.4 billion and fuel retail of \$36 billion, the total sales revenue for the entire franchising sector was estimated to be \$146 billion (compared with \$144 billion in 2014).

## Employment in Business Format Franchising

Despite a relatively flat economy, the number of people employed in franchising has increased gradually since 2012. Moreover, the proportion of people employed on a permanent, full time basis has increased, suggesting a more optimistic outlook ahead. This trend is not reflected in the wider economy which has experienced a slight decline in full-time employment.

It is estimated that more than 470 000 people are employed directly in franchise brands. Comparative estimates for 2012 to 2016 are provided below.

## Employment Status

	2012		2014		2016	
	Number of employees	Percent	Number of employees	Percent	Number of employees	Percent
Permanent full time	145 000	35.6	155 000	33.6	283 000	60.0
Permanent part time	124 000	30.5	125 000	27.1	77 000	16.3
Casual	138 000	33.9	181 000	39.3	112 000	23.7
Total	407 000	100.0	461 000	100.0	472 000	100.0

<sup>1</sup> Data were sourced from the Australian Bureau of Statistics, Motor Traders' Association and IBISWorld.

<sup>2</sup> Australian Bureau of Statistics (2016). *Selected Characteristics of Australian Business, 2014-2015 and Counts of Australian Businesses, Including Entries and Exits, June 2011 to June 2015, Catalogue 8165.0*

## Profile of franchise brands

### *Industries.*

The retail (non-food) industry dominates franchising with 26 percent of brands operating in this segment. A further 19 percent of franchise brands are found in accommodation and food services. Contributing to the service sector are 15 percent of brands operating in administration and support services and 10 percent of brands providing other services such as personal services, automotive repairs and IT services.

### *Size of systems.*

As the size of franchise brands varies considerably, we compared smaller systems (up to 50 franchise units) with larger systems (more than 50 franchise units). Small franchise brands, which tend to be younger, held a median of 15 franchise units compared with larger, more mature brands which held a median of 117 units. Across the sector, franchise brands continued to grow internally over the past 12 months. This growth occurred primarily in the service sector – a finding which was reflected in the wider economy.

### *Age of systems.*

Sixty percent of franchise brands have been franchising for more than 10 years. Organisations piloted their business concept for a median of two years prior to commencement of franchising.

## Cost of a new franchise unit

The total start-up cost for a new retail franchise unit was \$287 500 compared to \$59 750 in a non-retail franchise. This included an initial franchise fee of \$31 500 in retailing compared to \$28 000 in non-retail franchises.

## Franchising Disputes

Disputes with franchisees involving an external advisor were reported by 25 percent of franchisors with a median of 2 of their franchisees. The proportion of franchisees in dispute with their franchisor across the sector was estimated at 1.8 percent, consistent with previous surveys. The most common causes of disputes were those related to franchisee compliance, communication issues and disputes regarding fees.

## International operations

Ninety percent of franchise brands responding to the survey originated in Australia and 32 percent of these are currently franchising internationally. This proportion is consistent with that reported in 2014. New Zealand remains the most common destination despite its small potential market.

## Summary

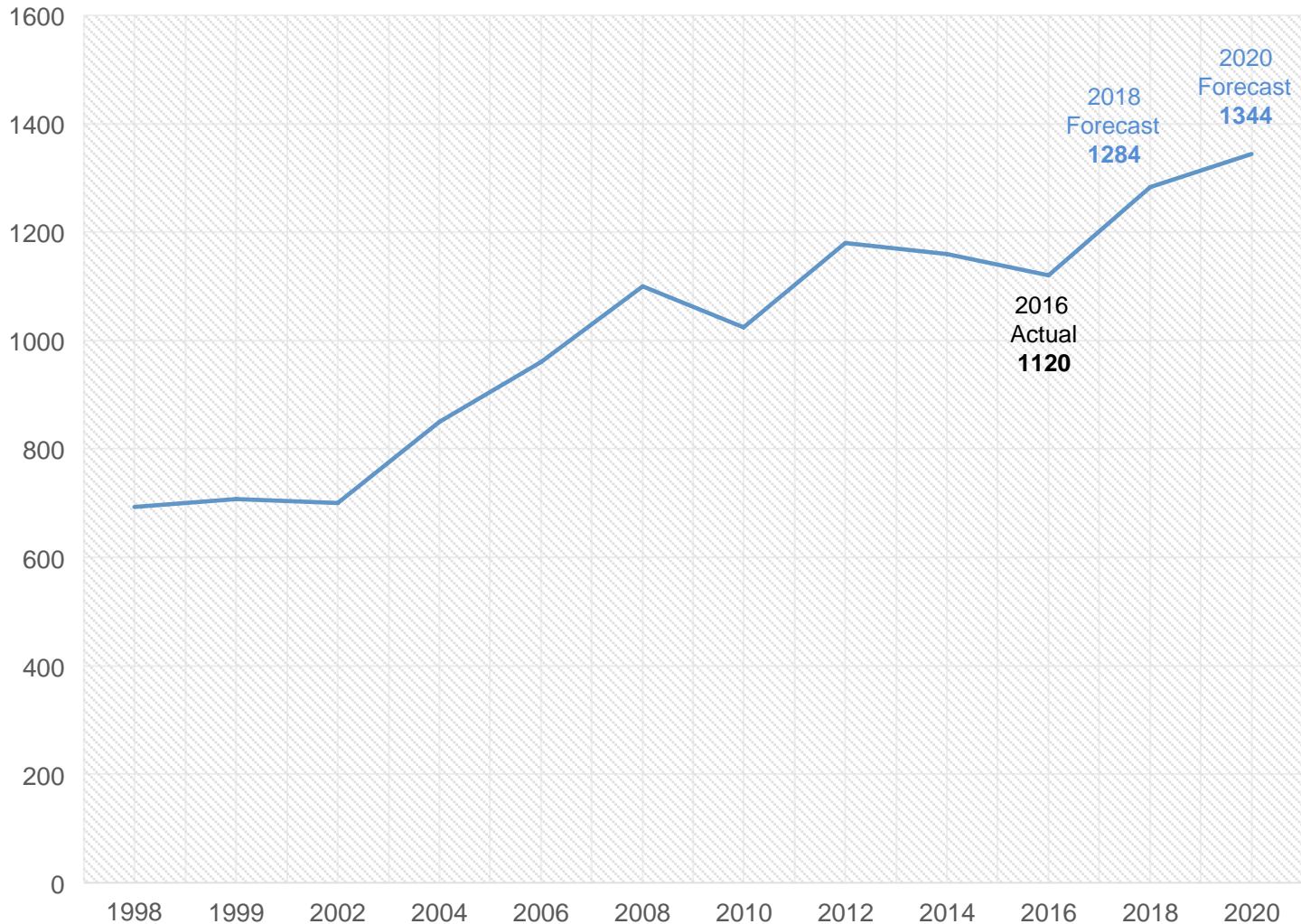
Against the backdrop of a relatively flat economy and a weakened retail sector the franchising sector has performed well over the past two years. Brands have continued to merge and consolidate to remain sustainable and to grow internally. Franchisors are predicting growth in franchise numbers over the next 12 months. Sales turnover for the sector has risen slightly. Employment has steadily risen and created more permanent full-time jobs in the sector. In brief, the *Franchising Australia 2016* survey provides evidence of a maturing sector, holding its own within a constrained economic climate.



2020  
Forecasts

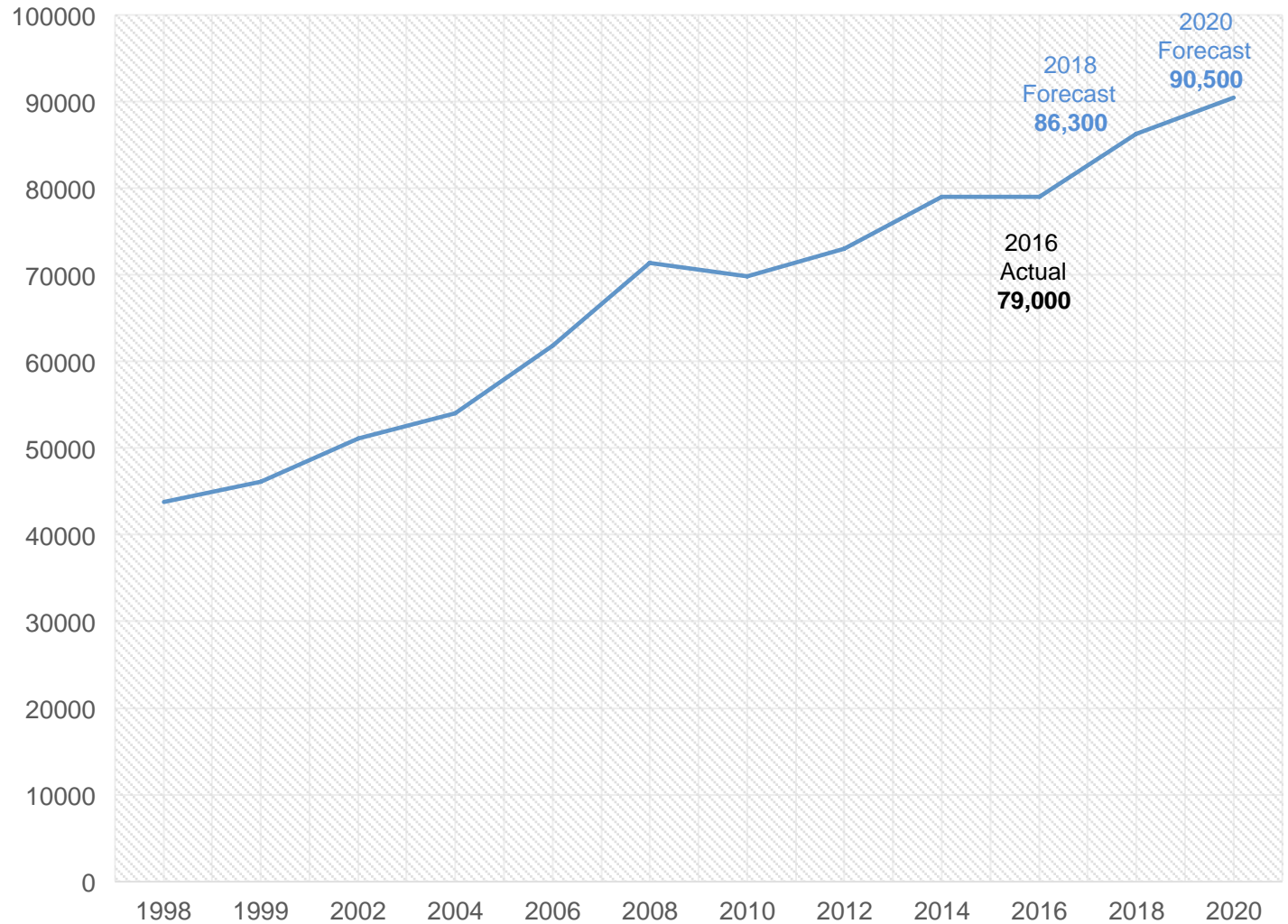


## Number of Franchise brands



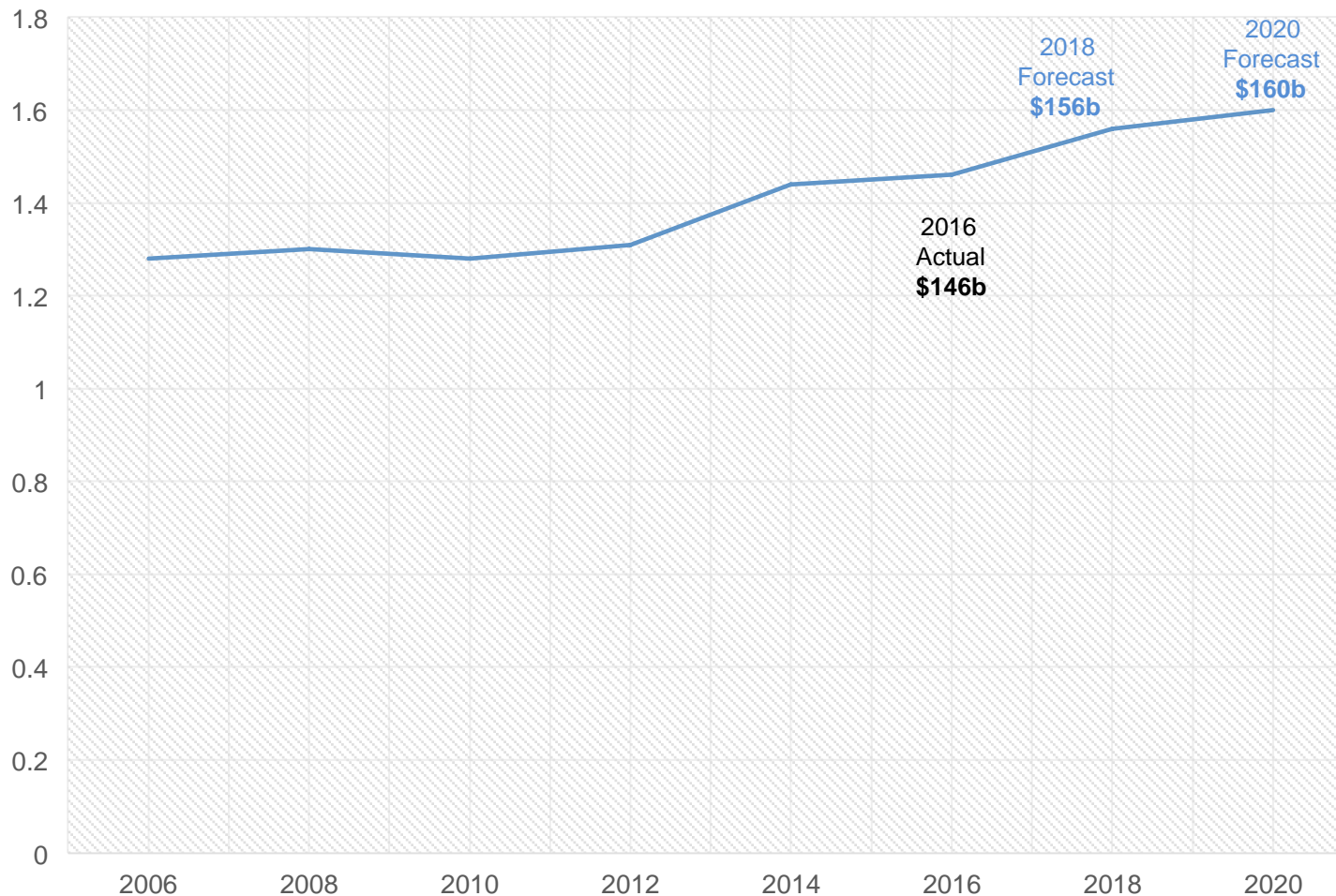
The number of franchise brands grew rapidly over the past two decades but the sector began to consolidate during the global financial crisis (GFC) from 2008 to 2010. Recovery since the GFC has been steady, driven primarily by the slowdown in the retail sector. However, with increasing levels of consumer confidence together with the low inflation and low interest rates environment, the sector has stabilised. Based on the existing linear trend, the number of franchise systems in Australia is predicted to grow to 1284 brands by 2018 and 1344 brands by 2020.

## Number of Franchise units



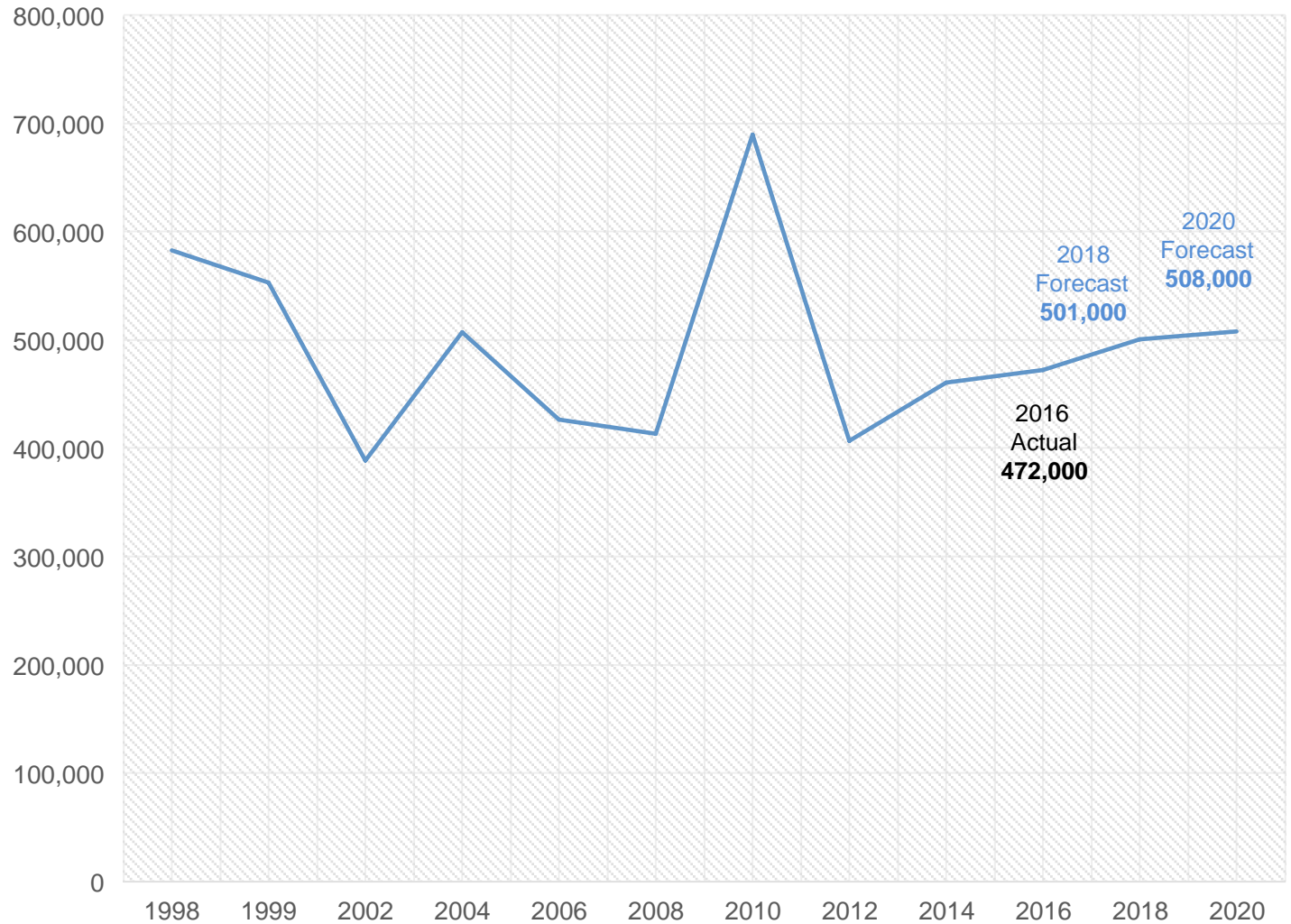
The number of franchise units in Australia is steadily increasing due to increasing levels of consumer confidence together with the low inflation and low interest rates. Numbers grew from 43 800 units in 1998 to 79 000 units in 2016 with a slight decline during the GFC period 2008 to 2010. There is a clear increasing upward trend evident in the time series throughout the sample period. Assuming that the same linear trend continues, the number of franchise systems in Australia is predicted to grow to 86 300 units by 2018 and 90 500 units by 2020.

## Total brand turnover (sales in \$ Billions)



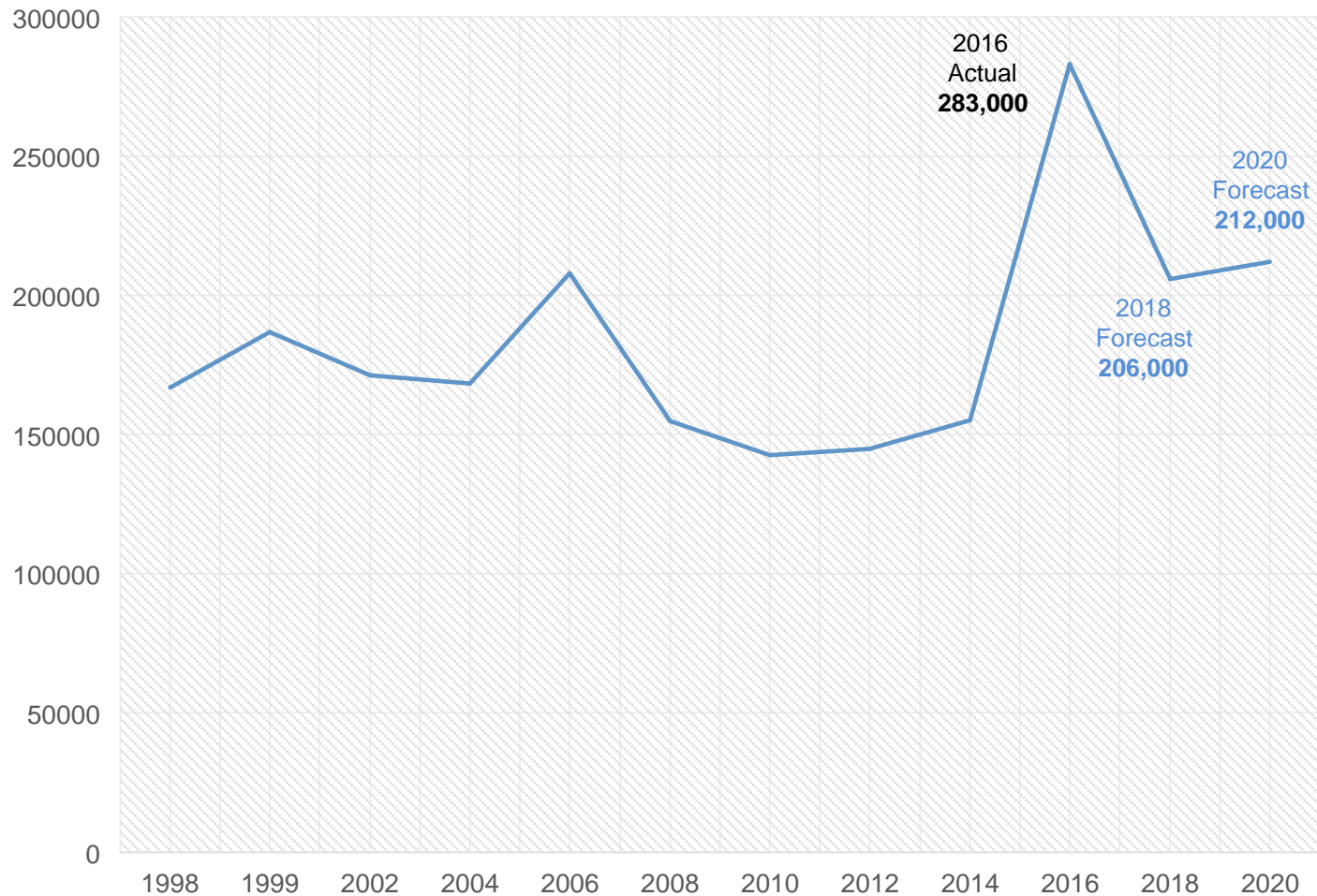
Total brand turnover (measured as annual sales for franchised and company units and including fuel and motor vehicle sales) has increased from \$128 billion in 2006 to \$146 billion in 2016, aligning with growth in the size of the sector. During the initial years the total brand turnover fluctuated within a narrow band of \$128 billion and \$131 billion but increased with a strong positive trend from 2012 reaching \$146 billion in 2016. Based on this increasing trend it is predicted that sales would continue to increase to \$156 billion in 2018 and to \$160 billion in 2020.

## Total Employment



Employment data has exhibited an inconsistent pattern, most likely affected by the size of systems responding to the survey. In general, there is a slight upward trend noticeable in the total employment time series. Depending on economic conditions at the time, casual employment figures have fluctuated widely, thus affecting the total employment outcome. Based on a linear trend total employment is predicted to grow to 501 000 in 2018 and to 508 000 in 2020.

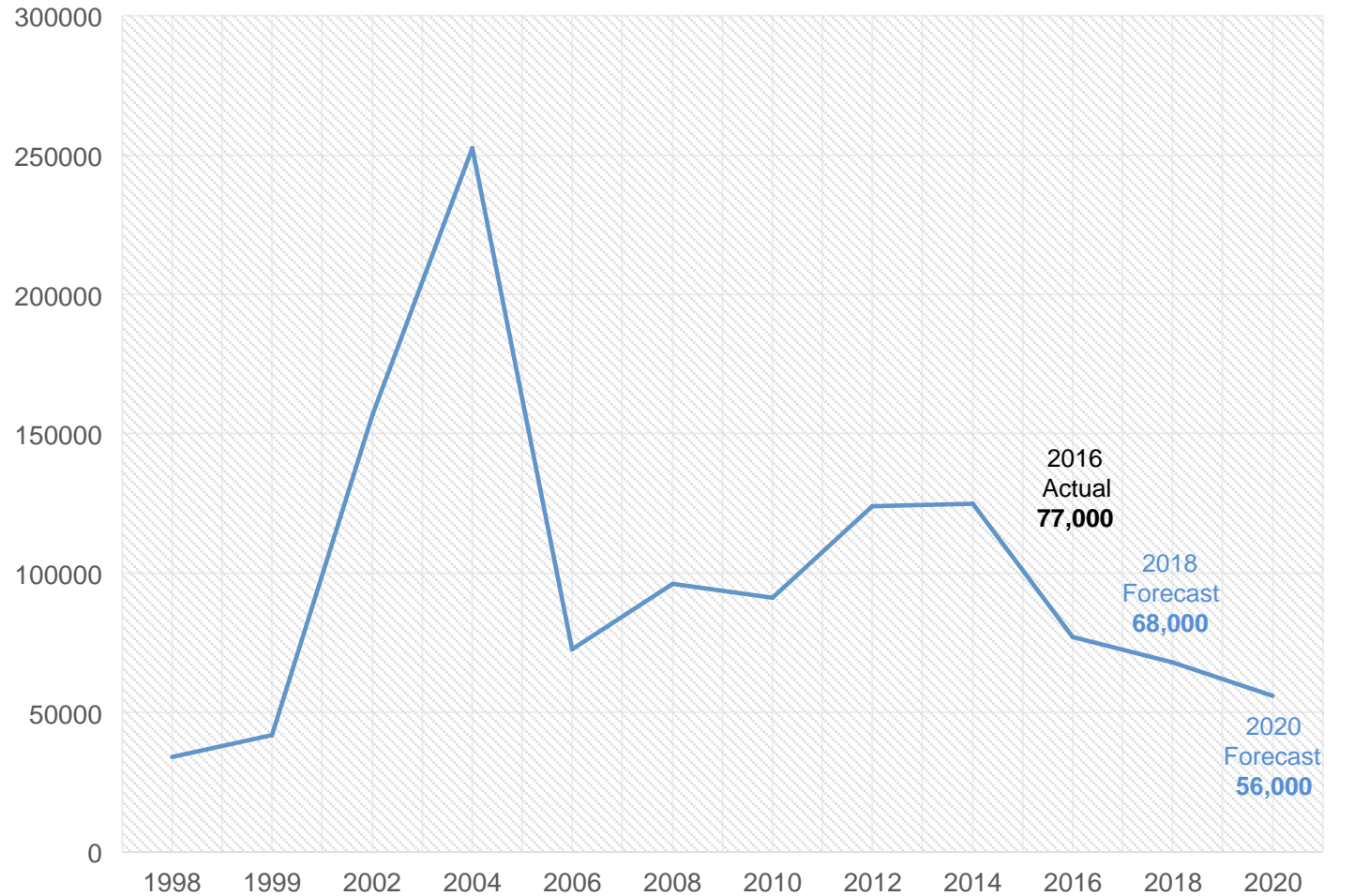
## Permanent Full-Time Employees



The number of permanent full-time positions declined between 2000 and 2010 with the exception of sudden increases in 2006 and 2016. Based on a trend analysis it is predicted that permanent full-time positions will fall in 2018 to 206 000 and then increase to 212 000 in 2020.

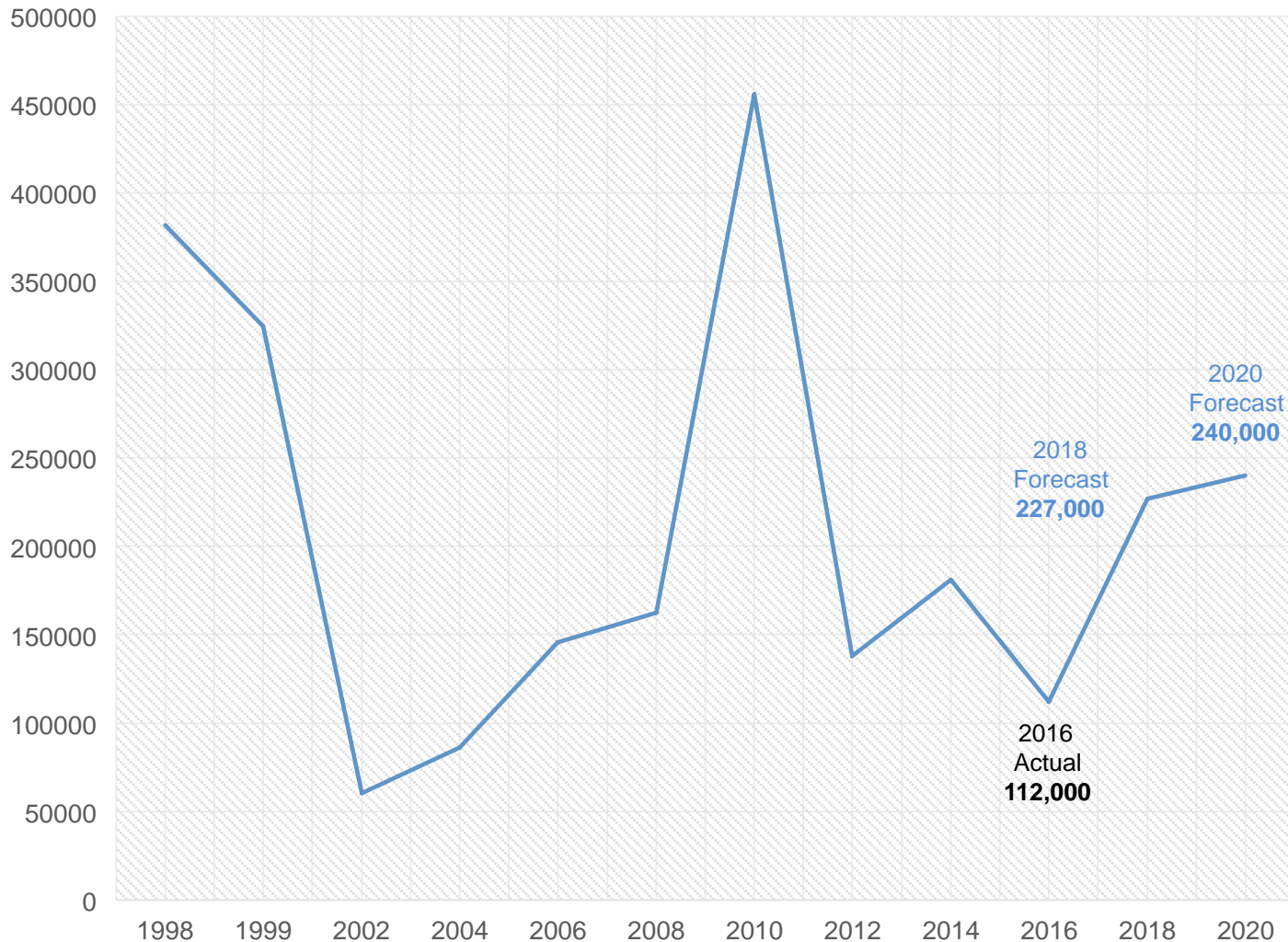


## Permanent Part-Time Employees



Permanent part-time and full-time employment figures demonstrate a negative correlation as employers switch contracts from one form to the other in response to prevailing economic conditions. The overall trend in the series appears to be slightly negative. The trend analysis predicts a continued decline in permanent part-time positions to 68 000 in 2018 and to 56 000 in 2020.


## Casual Employees



The overall casual employment data exhibits a positive trend. Casual employment steadily increased from 2002 to 2008. It jumped from 162 390 in 2008 to an unprecedented high level 456 300 in 2010 and fell sharply to a very low level 138 000 in 2012. This pattern was repeated from 2014 to 2016 but with lower figures. Based on a trend analysis, casual employment positions are predicted to increase to 227 000 in 2018 and then to 240 000 in 2020.

### Methodology

We have used a very basic linear trend model to obtain the forecasts for the two future periods 2018 and 2020. Given that the sample size is small (data from 1998 to 2016 in two-yearly intervals), the forecasts should be treated with caution.



# Section A Franchise Profile

## INDUSTRY KEY FACTS

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1089 franchisors in 2016

1124 franchisors in 2014

Retail industry dominates franchising but the number of brands has declined

Continuing the trend that began in 2010, the number of franchise brands operating in Australia has declined. In 2014 the number of franchise brands was 1124; in 2016 there were 1089 brands – reflecting a net decrease of 3.1 percent. (Given that several franchise brands operate multiple franchise concepts the population of franchise systems is estimated to be 1120.) A gradual decline in the number of franchise brands is anticipated as the sector continues to mature. Some start-up brands do not grow rapidly enough to remain sustainable and either cease operating or withdraw from franchising. Putting this into perspective, the USA has approximately twice the number of franchise brands as Australia servicing 13 times the population.

The majority of franchise brands are retailers with the largest segment being non-food retailing which accounts for 26 percent of brands and 25 percent of franchise units. A further 19 percent of brands are involved in food retailing and representing 13 percent of franchise units. Some 15 percent of franchisors operate in administration and support services (which includes travel agencies, office services, domestic and commercial cleaning, gardening services and lawn mowing). A further 10 percent of franchisors provide 'other services' which include personal services, pet grooming, IT services and automotive repairs. This segment represents 27 percent of franchise units. Many other industries are involved in franchising but each category is represented by less than 10 percent of brands per category.

Table A1 compares the distribution of the franchisor population with respondents to the survey. The table also indicates the number and proportion of franchise units held by franchisors in each industry segment. The majority of these units are in retail trade, personal and business services, and finance.

## A1 In what product or service does this franchise brand predominantly deal?

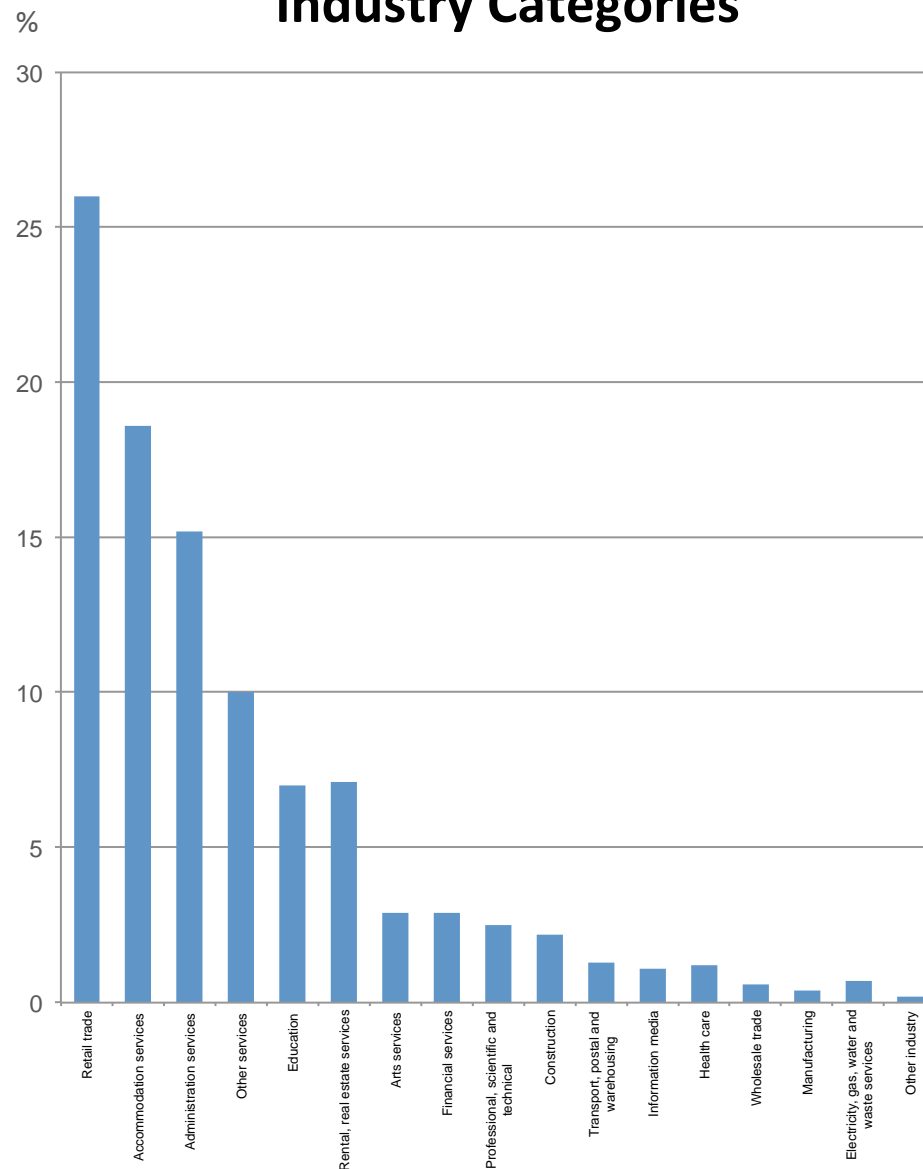
Industry	Population of franchisors		Respondent franchisors		Total number of respondents' units per industry	
	Number	Percent	Number of responses	Percent	Number of units	Percent
Retail trade	283	26.0	56	20.2	4950	25.2
Accommodation and food services (includes food retail, fast food, coffee shops etc)	203	18.6	43	15.5	2562	13.0
Administration and support services (includes travel agencies, office services, domestic and industrial cleaning, gardening services, lawn mowing etc)	166	15.2	19	6.9	1430	7.3
Other services (includes personal services, pet services, auto repairs and servicing, IT services etc)	109	10.0	47	17.0	5213	26.5
Education and training	76	7.0	17	6.1	459	2.3
Rental, hire and real estate services	77	7.1	11	4.0	974	4.9
Arts and recreation services	32	2.9	10	3.6	577	2.9
Financial and insurance services	32	2.9	15	5.4	1881	9.6
Professional, scientific and technical	27	2.5	9	3.2	320	1.6
Construction	24	2.2	14	5.1	365	1.9
Transport, postal and warehousing	14	1.3	3	1.1	62	0.3
Information media and telecommunications	12	1.1	3	1.1	30	0.2
Health care and social assistance	13	1.2	6	2.2	176	0.9
Wholesale trade	7	0.6	3	1.1	221	1.1
Manufacturing	4	0.4	3	1.1	48	0.2
Electricity, gas, water and waste services	8	0.7	2	0.7	141	0.7
Other industry	2	0.2	0	0.0	0	0.0
Unclassified	0	0.0	16	5.8	269	2.1
<b>Total</b>	<b>1089</b>	<b>100.0</b>	<b>277</b>	<b>100.0</b>		<b>100.0</b>

Note:

1) Franchisors were coded according to industry type using the major categories provided under the Australia and New Zealand Standard Industrial Classification (ANZSIC) coding system.

2) All 277 respondents provided data.

## Industry Categories





# Comparison of franchise brands 2014-2016

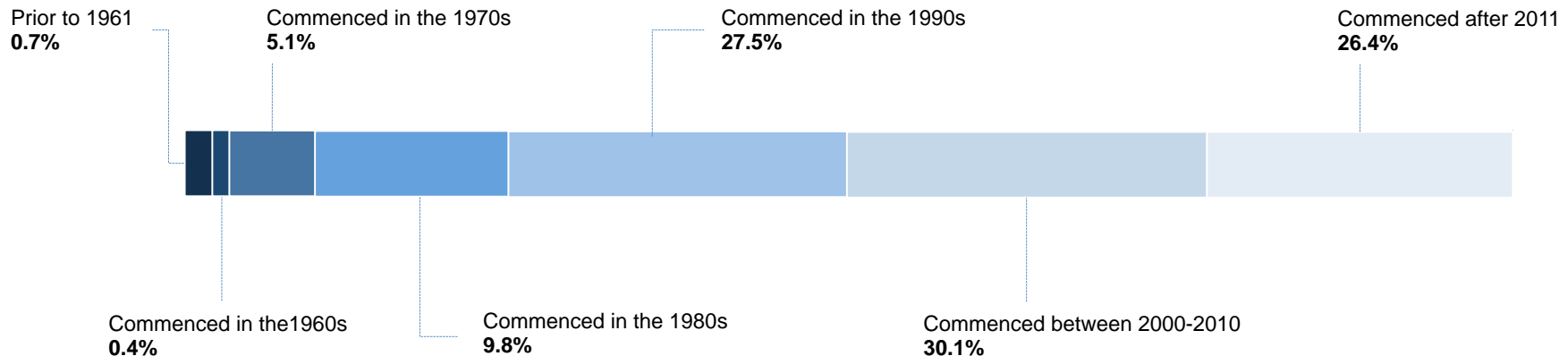
Industry	Number of brands 2014	Number of brands 2016	Change (number)
Retail trade	304	283	-21
Accommodation and food services (includes food retail, fast food, coffee shops etc)	204	203	-1
Administration and support services (includes travel agencies, office services, domestic and industrial cleaning, gardening services, lawn mowing)	165	166	+1
Other services (includes personal services, pet services, auto repairs and servicing, IT services etc)	118	109	-9
Education and training	78	76	-2
Rental, hire and real estate services	72	77	+5
Arts and recreation services	38	32	-6
Financial and insurance services	37	32	-5
Professional, scientific and technical	33	27	-6
Construction	23	24	+1
Transport, postal and warehousing	13	14	+1
Information media and telecommunications	11	12	+1
Health care and social assistance	11	13	+2
Wholesale trade	7	7	--
Manufacturing	5	4	-1
Electricity, gas, water and waste services	5	8	+3
Other industry	0	2	+2
<b>Total</b>	<b>1124</b>	<b>1089</b>	<b>-35</b>

The majority of franchise brands which entered and exited the sector since 2014 were involved in non-food retailing, resulting in a net decrease of 21 non-food retail brands (7 percent of the sector). Net decreases of 9 brands involved in 'other services', 6 brands in arts and recreation services and 6 brands in professional, scientific and technical services were responsible for further reduction in franchise brands. All other industries remained relatively static.

## AGE OF FRANCHISE SYSTEMS KEY FACTS

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Franchisors have 19 years operational experience and 15 years franchising experience.  
More than half (57 percent) of brands began franchising since 2000.  
Brands piloted their concepts for a median of 2 years prior to commencing franchising.  
Some 42 percent of brands began franchising immediately or within the first year of operation.



## Commenced Franchising

The Australian franchise sector is well established. Respondents reported that their brands have been operating for a median of 19 years and franchising for 15 years, indicating that the sector is experienced and mature. Retail brands are more experienced (franchising 18 years) than non-retail franchises (franchising 11 years). Slightly less than half the sample (44 percent) began franchising prior to 2000. Evidence suggests that brands utilise franchising as a means of achieving rapid market penetration. More than one quarter of respondents (27 percent) began franchising immediately and a further 15 percent began franchising within the first 12 months of operation.

## A2 In which year did this brand commence operations?

## A3 In which year did this brand commence franchising?

Year	Year commenced operations		Year commenced franchising	
	Number of responses	Percent	Number of responses	Percent
Prior to 1961	15	5.4	2	0.7
1961 to 1970	3	1.1	1	0.4
1971 to 1980	29	10.5	14	5.1
1981 to 1990	33	12.0	27	9.8
1991 to 2000	78	28.3	76	27.5
2001 to 2010	75	27.2	83	30.1
2011 to 2016	43	15.6	73	26.4
<b>Total</b>	<b>276</b>	<b>100.0</b>	<b>276</b>	<b>100.0</b>

Notes:

1) A total of 276 respondents provided a response from an expected 277.

2) The median number of years was: operating 19 years and franchising 14.5 years.

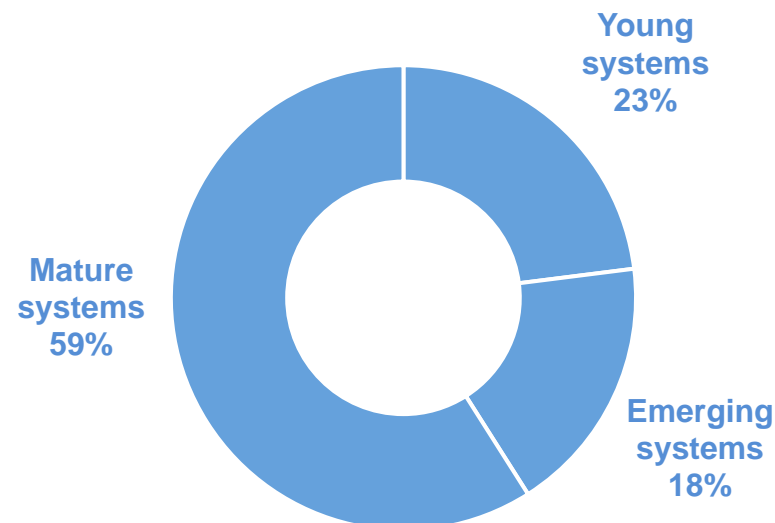
3) Businesses had been operating for a range of 1 to 159 years and franchising for a range off 1 to 87 years.

The sample was further analysed in terms of level of experience. Some 23 percent of brands were classified as 'young', 18 percent as 'emerging' and 59 percent as 'mature'. This categorisation reflects the growing experience of the sector with the majority of brands being recognised as mature.

Level of franchising experience	Number of responses	Percent
'Young' systems – franchising for 1 to 5 years	63	22.8
'Emerging' systems – franchising for 6 to 10 years	49	17.8
'Mature' systems – franchising for more than 10 years	164	59.4
<b>Total</b>	<b>276</b>	<b>100.0</b>

Notes:

1) Some 276 out of the 277 respondents were able to be classified.



## SIZE OF FRANCHISE SYSTEMS KEY FACTS

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Franchise brands are displaying signs of internal growth

Most of the growth since 2015 has occurred in non-retail brands

One-third of franchise brands hold more than 50 total units

Since 2012 the number of franchise brands has declined but this contraction has been accompanied by internal system growth – both of which are signs of a maturing franchise sector. The median number of franchise units (that is, franchised and company owned units) across respondents in 2016 was 27\* – an increase from 25 in 2015. Franchisors predict a median of 32 units in 2017, which appears optimistic given current economic conditions. Retail sales have been relatively flat for the past couple of years and this pattern is reflected in the survey data. Whilst non-retail brands have increased from a median of 22 total units in 2015 to 26 units in 2016, retail brands have reported a decline from 35 units to 33.5 units over the same two-year period.

As expected, the age of franchise brands is strongly correlated with their size. Two thirds (66 percent) of respondent brands held less than 50 franchise units. These brands had been franchising for just 10 years, compared with the remainder holding more than 50 units, which had been franchising for 21 years.

Some 41 percent of respondents were classified as 'small' (holding up to 20 total units), 25 percent were 'medium' (21 to 50 total units) and the remaining 34 percent were classified as 'large' brands (with more than 50 total units).

The proportion of franchised units held by franchisors was 90 percent. Whilst some large retail brands hold a lower proportion of franchised units, the median number of company owned units across respondents was just 1 unit, increasing to 2 company units in retailing. One third of brands (35 percent) are fully franchised, with no company unit ownership.

\* Whilst the median number of franchise units is 27, the average size is 72 units. The disparity in these figures is because the sample contains brands ranging from small to very large systems.

#### A4 How many franchised units were operating within your franchise brand in Australia?

Franchised units	Financial Year 2015		Financial Year 2016		Predicted 2017	
	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent
0 to 10 franchised units	86	31.0	79	28.5	63	22.7
11 to 50 franchised units	107	38.6	107	38.6	118	42.6
51 to 100 franchised units	40	14.4	39	14.1	39	14.1
101 to 500 franchised units	40	14.4	48	17.3	52	18.8
More than 500 franchised units	4	1.4	4	1.4	5	1.8
<b>Total</b>	<b>277</b>	<b>100.0</b>	<b>277</b>	<b>100.0</b>	<b>277</b>	<b>100.0</b>

**Notes:**

- 1) All 277 respondents provided data.
- 2) The median number of franchised units was 22 in 2015, 25 in 2016 and with 29 predicted for 2017.
- 3) Retail systems had a median of 36 units in 2015, 34 units in 2016 and predicting 36 units in 2017.
- 4) Non-retail systems had a median of 20 units in 2015, 22 units in 2016 and predicting 26 in 2017.
- 5) Responses ranged from 1 to 1500 franchised units in 2016.

#### A5 How many company-owned units were operating within your franchise brand in Australia?

Company owned units	Financial Year 2015		Financial Year 2016		Predicted 2017	
	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent
0 (zero) company units	97	35.5	96	35.2	101	37.0
1 company unit	72	26.4	71	26.0	59	21.6
2 to 5 company units	58	21.2	58	21.2	58	21.2
More than 5 company units	46	16.8	48	17.6	55	20.1
<b>Total</b>	<b>273</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>

**Notes:**

- 1) A total of 273 respondents provided a response from an expected 277.
- 2) The median number of company-owned units was 1 across all years in the full sample.
- 3) The median number of company-owned units was 2 in retail and 1 in non-retail franchises.
- 4) Responses ranged from 0 to 453 company-owned units in 2016.



Total Units	Financial Year 2015		Financial Year 2016		Predicted 2017	
	Number of responses	Percent	Number of responses	Percent	Number of responses	Percent
Up to 10 total units	79	28.9	66	24.2	54	19.8
11 to 50 total units	104	38.1	114	41.8	123	45.1
51 to 100 total units	40	14.7	37	13.6	35	12.8
101 to 500 total units	45	16.5	50	18.3	55	20.1
More than 500 total units	5	1.8	6	2.2	6	2.2
<b>Total</b>	<b>273</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>

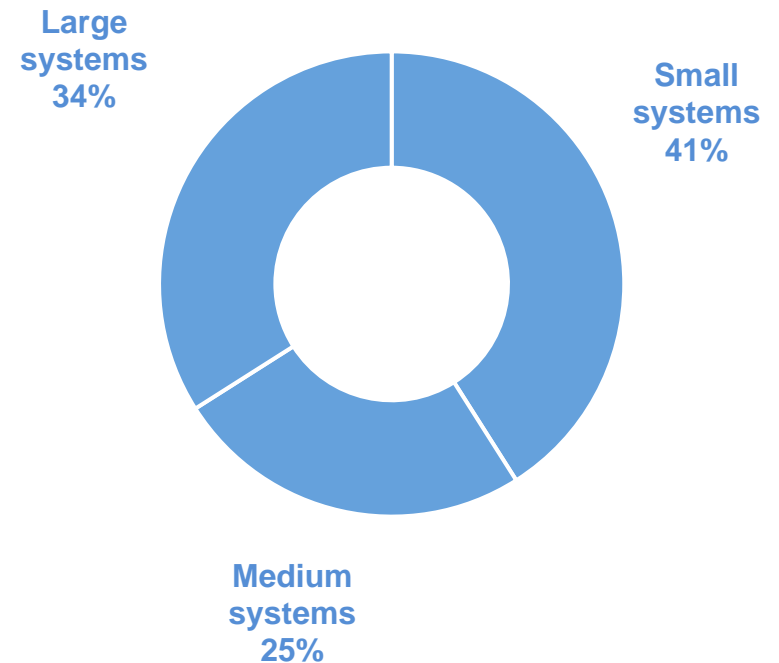
**Notes:**

- 1) A total of 273 respondents provided a response from an expected 277.
- 2) The median number of total units was 25 in 2015, 27 in 2016 and 32 predicted in 2017.
- 3) Responses ranged from 1 to 1500 total units in 2016.

System size	Number	Percent
Small (Up to 20 total units)	111	40.7
Medium (21 to 50 total units)	69	25.3
Large (More than 50 total units)	93	34.1
<b>Total</b>	<b>273</b>	<b>100.0</b>

**Notes:**

- 1) Some 273 out of the 277 responses were able to be classified.



## SALES TURNOVER KEY FACTS

Retail franchises reported median sales turnover of \$30 million in the 2015-2016 financial year

Non-retail franchises reported median sales turnover of \$5 million in the same period

The median sales turnover across all respondent brands was approximately \$8.5 million in the 2015-2016 financial year. Significant differences occur across industry segments. The median sales turnover for retail brands was \$30 million compared to \$5 million in non-retail brands. Average turnover per franchise unit was approximately \$716 000 in retail franchises and \$208 000 in non-retail brands.

**A6 What was the total brand turnover (\$) (ie annual sales) for all units in Australia for the financial year ending 30 June 2016?**

Brand turnover	Financial year 2016	
	Number of responses	Percent
Up to \$1 million	40	16.5
\$1 million to \$5 million	57	23.5
\$5 million to \$20 million	60	24.7
\$20 million to \$100 million	58	23.9
More than \$100 million	28	11.5
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

1) A total of 243 franchisors provided a response out of an expected 277.

2) The median sales turnover was \$8.5 million.

3) The median sales turnover was \$30 million for retail franchises and \$5 million for non-retail franchises.

## EMPLOYMENT KEY FACTS

Franchisors have reported a slight increase in employment since 2014

A higher proportion of employees are now employed as permanent full-time with a corresponding switch from casual status

The increase in the number of franchise units is reflected in higher levels of employment across the sector. Driven largely by the retail sector, franchising has typically employed a high proportion of casual staff in the past. This year respondents have reported a higher proportion of full-time employment and a corresponding lower level of casual employment.

In Australia approximately 4 percent of employed people work in franchising.

### A7 How many staff are employed in your franchise brand?

Employees	Head office		Franchised units		Company units	
	Number of employees	Percent	Number of employees	Percent	Number of employees	Percent
Permanent full-time	9037	91.7	32526	43.4	29216	88.1
Permanent part-time	540	5.5	17018	22.7	1760	5.3
Casual	269	2.7	25446	33.9	2186	6.6
<b>Total</b>	<b>9846</b>	<b>100.0</b>	<b>74990</b>	<b>100.0</b>	<b>33162</b>	<b>100.0</b>

Notes:

1) Responses ranged from 272 to 275 franchisors out of an expected 277.

# Section B Sector Issues



## EMPLOYMENT ISSUES KEY FACTS

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Approximately one-third of franchise brands employ HR/IR staff in their Head Office

Less than a quarter of franchise brands utilise an enterprise agreement in their systems.

The majority of franchisors are confident their franchisees comply with workplace legislation

The majority of franchisors oppose joint responsibility amendments to workplace laws.

Approximately one third of franchisors perceive changes to Australian Consumer Law to have little or no impact on business operations.

More than half of all franchisors have not changed operations or policies in response to changes in the Code of Conduct.

Just over one third of respondents (36 percent) indicated that they employed dedicated human resources and/or industrial relations (HR/IR) staff in their Head Office, representing a marginal increase on previous results in 2012 (30 percent). Some 38 percent of retail franchise brands indicated they employed HR/IR staff, while a slightly lower proportion of non-retail franchisors employed dedicated HR specialists in their systems (35 percent).

Overall, some 23 percent of franchisors had an enterprise agreement in place that governed wages and working conditions of employees across the franchise network. Retail franchisors reported slightly higher usage of enterprise agreements in their systems (25 percent) than non-retail franchise formats (21 percent).

Franchisors indicated that they utilised a range of support services to assist their franchisees with Human Resources (HR) and Industrial Relations (IR) issues. The most common form of these were provision of information in the operations manual (70 percent), ongoing training and updates (57 percent), giving advice on relevant pay rates (40 percent), provision of HR/IR policies, procedures or templates (40 percent), conducting internal checks or audits (29 percent), assistance in franchisee staff recruitment (28 percent), facilitating access to external sources of HR/IR advice and support (28 percent), resolution of HR/IR disputes (16 percent), access to internal HR/IR personnel, and provision of centralised payroll services (7 percent). Consistent with previous surveys (2012), less than 10 percent of franchisors indicated that they do not provide HR/IR assistance to franchisees which, in some cases, may be on account of franchisees not employing any staff in their units.

Almost all franchisors (96 percent) indicated that they were very confident or reasonably confident that their franchisees provided equal, fair and safe working opportunities for their employees. Only 4 percent of franchisors were not confident that their franchisees provided these conditions to their staff. Other issues surrounding the provision of equal, fair and safe work opportunities for staff included information sharing and compliance processes, annual audits and the role of field personnel in conducting regular reviews, and developing a culture of good practice in franchise systems.

Just under two thirds (64 percent) of franchisors would not support the introduction of joint responsibility provisions in current workplace laws, with only 16 percent favouring such changes in assessing compliance with workplace laws and employer obligations in franchisee businesses. Several franchisors disagreed with the introduction of 'joint responsibility' provisions on account of difficulties in accessing unit-level information and monitoring franchisee HR practices, current obligations for franchisees to independently recruit and manage staff, and franchisee resistance to sharing HR information as independent business owners and separate legal entities.



When asked to consider imminent changes to the Australian Consumer Law (ACL) to better protect small business from unfair terms in standard form contracts, some 35 percent of respondents indicated that such changes would have little or no impact on their franchise network. A further 32 percent were unsure of the impact on franchise operations, while 22 percent assumed that such amendments would result in additional (albeit minor) costs associated with reviewing and adapting documents and processes. While a small number of franchisors perceived such changes to the ACL as positively impacting on the franchise relationship (9 percent), other franchisors viewed these changes as adding substantial costs in reviewing and adapting current processes (5 percent), creating additional uncertainty in future dealings with franchisees (5 percent) and causing increased levels of disputation in the franchise relationship (3 percent). Other concerns raised by respondents were related to over-regulation of the sector, the impact on legal costs, and increasing emphasis on franchisee due diligence.

A majority of franchisors indicated that changes to the Franchising Code of Conduct had not resulted in changes in franchise system operations or policies. Minor changes on account of amendments to good faith provisions (16 percent), the nature of the information sheet provided to prospective franchisees (44 percent), treatment of the marketing fund (24 percent), disclosure relating to online sales (19 percent) and undisclosed significant capital expenditure (21 percent) were reported. Some franchisors had made major changes in the treatment of their marketing fund (5 percent), disclosure pertaining to online sales (3 percent) and dealing with undisclosed significant capital expenditure (2 percent) in response to the Code amendments. A smaller number of franchisors reported making major changes to their information sheet (2 percent) and obligations relating to good faith provisions (<1 percent).

#### B1 Do you engage any human resources or industrial relations (HR/IR) staff in your Head Office?

HR/IR staff	Number of responses	Percent
Yes	87	35.7
No	157	64.3
<b>Total</b>	<b>244</b>	<b>100.0</b>

Notes:

1) A total of 244 franchisors provided a response from an expected 277.

#### B2 Is there an enterprise agreement in place governing wages and conditions of employees across the franchise business?

Enterprise agreement	Number of responses	Percent
Yes	55	22.5
No	189	77.5
<b>Total</b>	<b>244</b>	<b>100.0</b>

Notes:

1) A total of 244 franchisors provided a response from an expected 277.

#### B3. What types of support do you provide franchisees in relation to employing staff and meeting minimum wages and conditions?

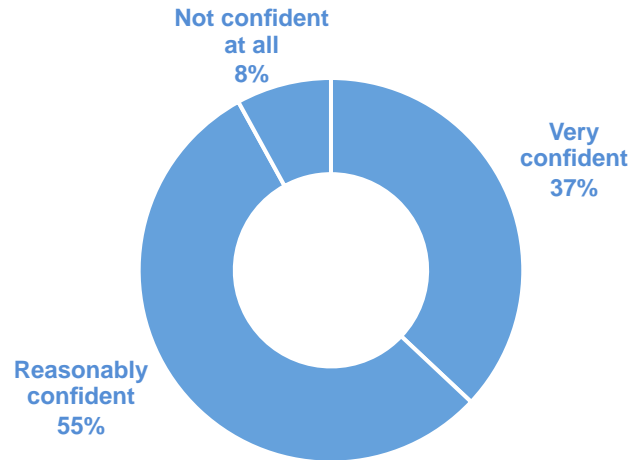
HR support	Number of responses	Percent
Information in operations manual	188	67.9
Ongoing training and updates	159	57.4
Advice about relevant pay rates	110	39.7
Provision of HR/IR policies, procedures or templates	110	39.7
Internal checks or audits	80	28.9
Recruitment of staff	77	27.8
Facilitating access to external HR/IR advice and support	77	27.8
HR/IR dispute resolution	44	15.9
Access to internal HR/IR personnel	37	13.4
Centralised payroll services	19	6.9
Other support	58	20.9
No support provided	27	9.7

Notes:

1) A total of 243 franchisors provided a response from an expected 277.

2) Multiple responses were recorded for some respondents.

## Confidence in franchisee compliance with workplace laws



**B4. How confident are you that your franchisees are fully compliant with workplace laws and their obligations as an individual business?**

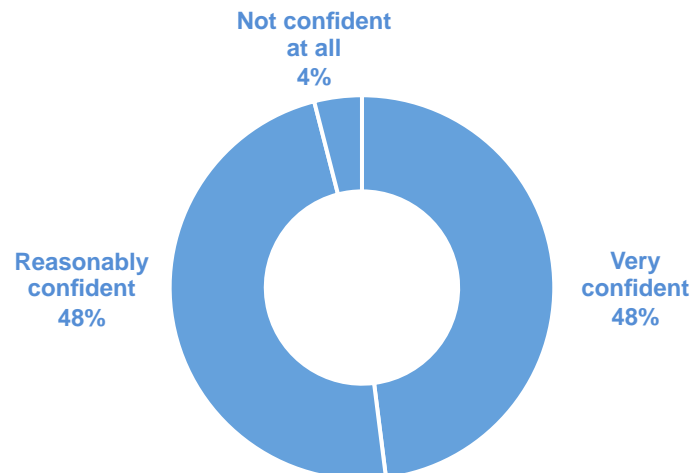
### Confidence in franchisee compliance with workplace laws

	Number of responses	Percent
Very confident	89	36.6
Reasonably confident	134	55.1
Not confident at all	20	8.2
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

1) A total of 243 franchisors provided a response from an expected 277.

## Confidence in franchisee employee management



**B5. How confident are you that your franchisees provide equal, fair and safe work opportunities for their employees?**

### Confidence in franchisee employee management

	Number of responses	Percent
Very confident	116	47.7
Reasonably confident	117	48.1
Not confident at all	10	4.1
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

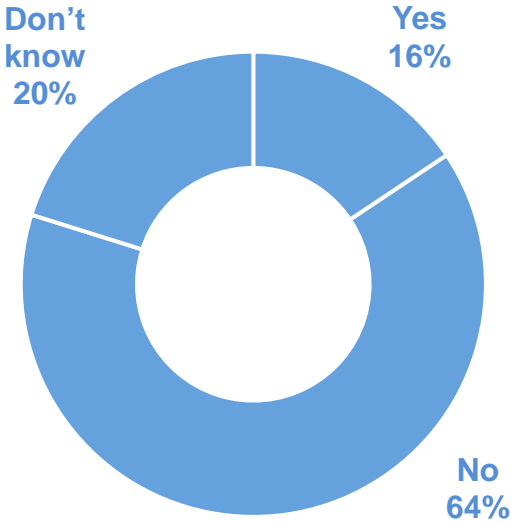
1) A total of 243 franchisors provided a response from an expected 277.

**B6. Are you in favour of amending workplace laws to impose additional or joint responsibility on franchisors for compliance with workplace laws and employer obligations in franchisees business?**

Agreement with introducing joint responsibility amendments	Number of responses	Percent
Yes	38	15.6
No	156	64.2
Don't know	49	20.2
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:  
1) A total of 243 franchisors provided a response from an expected 277.

Should workplace laws be amended to impose joint responsibility?



**B7. From November 2016, changes to Australian Consumer Law (ACL) will protect small business from unfair terms in standard form contracts, including many franchise agreements. How will this amendment affect your franchise?**

Impact of changes to ACL	Number of responses	Percent
Little or no impact	96	34.7
Unsure of impact	88	31.8
Minor additional cost to review and adapt documents and processes	60	21.7
Improve the franchise relationship and franchisee confidence	25	9.0
Substantive additional cost to review and adapt documents and processes	14	5.1
Increased uncertainty in dealings with franchisees	13	4.7
Increased disputation with franchisees	8	2.9
Other affect	18	6.5

Notes:  
1) A total of 243 franchisors provided a response from an expected 277.  
2) Multiple responses were recorded from some respondents.

**B8. Please indicate how the following major changes to the Code have affected your franchise.**

<b>Effect of Code changes on franchise operations</b>	<b>No change in our operations policies</b>	<b>Minor changes</b>	<b>Major changes</b>
	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
Obligation to act in good faith	83.5	16.0	0.4
Information sheet to prospective franchisees	53.9	44.4	1.6
Treatment of marketing fund	71.2	23.9	4.9
Disclosure re: online sales	77.4	19.3	3.3
Changes dealing with undisclosed significant capital expenditure	76.5	21.4	2.1

Notes:

1) A total of 243 franchisors provided a response from an expected 277.

# Section C Franchise Operations



## FRANCHISING DISPUTES KEY FINDINGS

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25 percent of franchisors were involved in a dispute over the past 12 month period.

The median number of franchisees in dispute in each brand was 2.

The main causes of disputes were a lack of franchisee compliance and communication problems.

Some 25 percent of franchisors were engaged in dispute with a franchisee (involving an external advisor for action) over the past 12 months, which is marginally higher than the 21 percent reported in the last survey in 2014. These franchisors were in dispute with a median of two franchisees. Disputes with franchisees were more evident in non-food retail brands (34 percent) than in food retailing (13 percent) with no significant differences apparent due to the age or size of the franchise brand.

Most disputes were in the early stages of correspondence with a solicitor (66 percent), and mediation (20 percent), with only 7 percent involved in litigation. A further 8 percent of cases were under investigation by the Fair Work Commission. The current findings show a continued use of mediation and concomitant reductions in levels of litigation, reflecting the effectiveness of the Code in promoting alternative dispute resolution.

Franchisors reported that just under two thirds of disputes (63 percent) were associated with system compliance issues, fees (25 percent), communication problems (23 percent), profitability (13 percent) misrepresentation issues (8 percent), initial and ongoing training (3 percent) and incorrect payment of staff (3 percent). Other nominated causes of disputes included store leasing arrangements and issues relating to the individual disposition and behaviour of franchisees.

**C1. In the past 12 months, has your brand been involved in any dispute with a franchisee that involved an external advisor for action?**

Disputes	Number of responses	Percent
Yes	60	24.7
No	183	75.3
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

1) A total of 243 franchisors provided a response from an expected 277.

**C2. Please indicate the number of franchisees in these disputes.**

Action	Initiated by franchisor			Initiated by franchisee		
	Number of franchisors	Number of franchisees	Percentage of franchisees	Number of franchisors	Number of franchisees	Percentage of franchisees
Correspondence via solicitor	38	137	76.1	25	47	60.3
Mediation	17	29	16.1	14	26	33.3
Litigation	8	14	7.8	4	5	6.4
<b>Total</b>		<b>180</b>	<b>100.0</b>		<b>78</b>	<b>100.0</b>

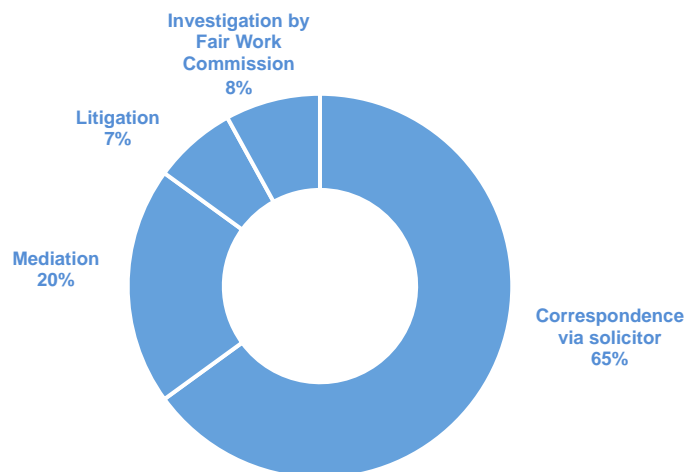
Notes:

1) The expected number of 60 franchisors provided a response.

2) Multiple responses were recorded for some respondents.



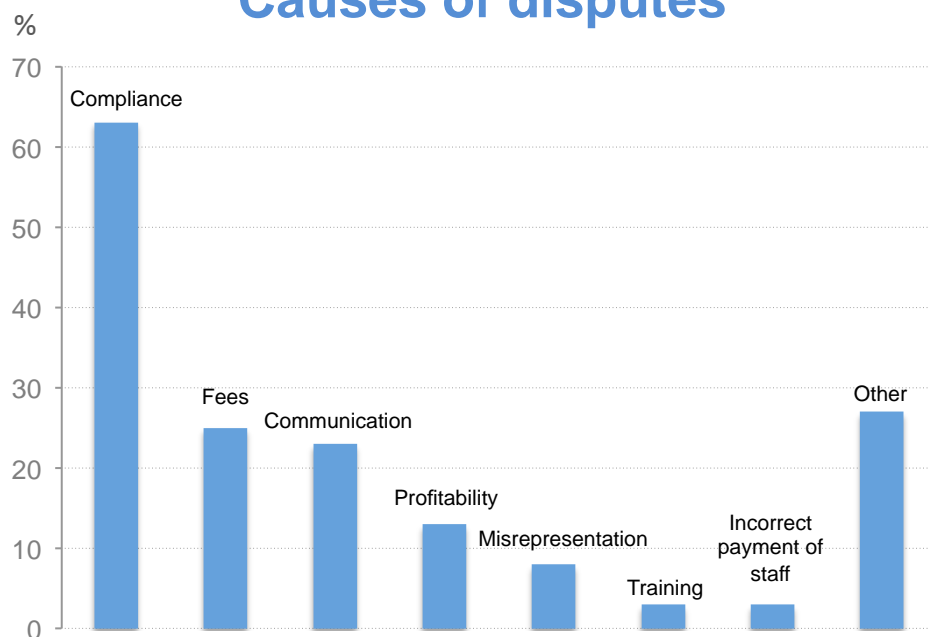
## Disputes



### Total Disputes

	Number of franchisees	Percentage of franchisees
Correspondence via solicitor	184	65.5
Mediation	55	19.6
Litigation	19	6.8
Investigation by Fair Work Commission	23	8.2
<b>Total</b>	<b>281</b>	<b>100.0</b>

## Causes of disputes



### C3. What do you consider were the main causes of these disputes?

#### Causes of disputes

	Number of responses	Percent
Compliance with system	38	63.3
Fees	15	25.0
Communication problems	14	23.3
Profitability	8	13.3
Misrepresentation issues	5	8.3
Initial or ongoing training	2	3.3
Incorrect payment of staff	2	3.3
Other	16	26.7

#### Notes:

- 1) The expected number of 60 franchisors provided a response.
- 2) Multiple responses were recorded for some respondents.

# TOTAL START UP COSTS KEY FINDINGS

Median total start-up cost of a new franchise unit is \$95 000  
 Median start-up costs of \$59 750 (non retail) and \$287 500 (retail)  
 Initial franchise fees required by 87 percent of franchise brands.

Total start-up costs of new franchise units varied considerably depending on format with the median cost across all industries being \$95 000. The median start-up cost (excluding GST) of a new retail franchise was \$287 500 compared with \$59 750 in non-retailing. Some 13 percent of franchise brands do not charge an initial franchise fee. The median initial franchise fee in retail brands was \$31 500, dropping slightly to \$28 000 in non-retail franchises. Retail franchises were more expensive because of significantly higher investments in inventories, fit-outs and equipment.

## C4. For a franchisee what is the total start-up cost of a new franchise unit (excluding GST)?

Total start-up costs all industries	Median cost	Range
Initial franchise fee	\$30 000	\$0 to \$150 000
Inventories	\$2 000	\$0 to \$500 000
Fit-out costs and/or equipment	\$15 000	\$0 to \$1 000 000
Training costs	\$2 000	\$0 to \$200 000
Legal and accounting costs	\$2 500	\$0 to \$50 000
Initial working capital	\$14 000	\$0 to \$200 000
Other costs	\$0	\$0 to \$150 000
Total start-up costs	\$95 000	\$2500 to \$1 225 000

Total start-up costs	Retail franchisees		Non-retail franchisees	
	Median cost	Range	Median cost	Range
Initial franchise fee	\$31 500	\$0 to \$130 000	\$28 000	\$0 to \$150 000
Inventories	\$10 000	\$0 to \$500 000	\$0	\$0 to \$200 000
Fit-out costs and/or equipment	\$150 000	\$0 to \$1 000 000	\$4 000	\$0 to \$550 000
Training costs	\$5 000	\$0 to \$200 000	\$1 000	\$0 to \$29 500
Legal and accounting costs	\$3 000	\$0 to \$50 000	\$2 000	\$0 to \$15 000
Initial working capital	\$20 000	\$0 to \$200 000	\$10 000	\$0 to \$100 000
Other costs	\$0	\$0 to \$150 000	\$0	\$0 to \$80 000
Total start-up costs	\$287 500	\$2500 to \$1 225 000	\$59 750	\$2800 to \$620 000

Notes:  
 1) A total of 161 franchisors provided a response from an expected 277.

## ONLINE SALES STRATEGIES KEY FINDINGS

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Over one third of franchise brands engage online sales methods.

70 percent of franchise brands have used online sales methods for the past 5 years.

The majority of online sales comprise between 1 and 20 percent of total sales.

Two thirds of franchise agreements include provisions detailing the distribution of income derived from online sales.

Only 28 percent of franchisors have developed Apps to support online sales.

Some 37 percent of franchisors indicated that they engage in online sales. Of those not currently engaged in online sales, one third reported that they intended to use this strategy in the future which is consistent with consumer trends towards online shopping. Of the franchise brands which currently engage in online sales, more than two-thirds (70 percent) have been doing so for the past 5 years, with 21 percent engaged in these activities for between 6 to 10 years. Smaller numbers have been selling online for between 11 to 15 years (5 percent) or for more than 15 years (5 percent). These results infer that many franchise systems continue to see value in establishing physical retail establishments prior to setting up online transactional infrastructure.

Whilst only 3 percent of franchisors reported that online sales contributed less than 1 percent to overall sales, the majority of systems (60 percent) were deriving between 1 and 20 percent of total sales from online sources. A further 12 percent of franchise brands derived between 81 and 100 percent of sales online.

Some 60 percent of the franchise brands surveyed indicated that they distributed between 51 and 100 percent of online sales to their franchisees. Only 8 percent of respondents indicated that they made no distribution which represents a significant decrease from the 30 percent reported two years ago (Franchising Australia 2014). These results suggest that franchisors are embracing online methods of selling and this practice is becoming more widespread throughout their networks. Approximately two thirds (64 percent) of franchise agreements included provisions for the distribution of income derived from online sales, representing an almost 100 percent increase from figures reported in 2014.

While a majority of franchisors indicated that they did not use a dedicated App in support of their online sales strategy (72 percent), the remaining 28 percent had developed an App which is in recognition of the growing use of mobile technology in online sales provision.

### C5. Does your franchise engage in online sales?

Online sales	Number of responses	Percent
Yes	87	36.7
No	150	63.3
<b>Total</b>	<b>237</b>	<b>100.0</b>

Notes:

1) A total of 237 franchisors provided a response from an expected 277.

### C6. Do you have plans to sell your products and/or services online in the future?

Online sales (future)	Number of responses	Percent
Yes	49	32.7
No	101	67.3
<b>Total</b>	<b>150</b>	<b>100.0</b>

Notes:

1) The expected number of 150 franchisors provided a response.

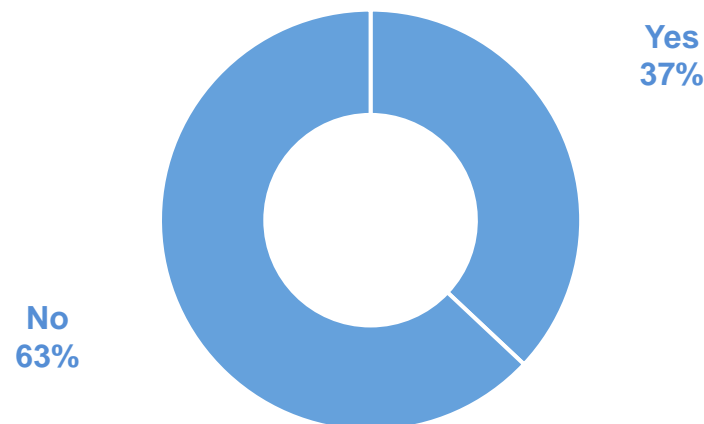
### C7. For how long have you been selling products or services online?

Online sales – time	Number of responses	Percent
Less than 1 year	10	11.5
1 to 5 years	51	58.6
6 to 10 years	18	20.7
11 to 15 years	4	4.6
More than 15 years	4	4.6
<b>Total</b>	<b>87</b>	<b>100.0</b>

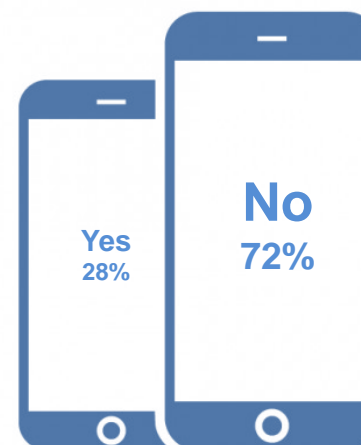
Notes:

1) The expected number of 87 franchisors provided a response.

## Does your franchise engage in online sales?



## Is your online system supported by an App?



**C8. What percentage of sales in the franchise brand are online sales?**

Online sales (% of total sales)	Number of responses	Percent
Less than 1 percent	3	3.4
1 to 20 percent	52	59.8
21 to 40 percent	11	12.7
41 to 60 percent	6	6.9
61 to 80 percent	5	5.7
81 to 100 percent	10	11.5
<b>Total</b>	<b>87</b>	<b>100.0</b>

Notes:

1) The expected number of 87 franchisors provided a response.

2) A median percentage of online sales of 9% was recorded across the sample.

**C10. Is there provision in your franchise agreement for distribution of income derived via online sales?**

Provision	Number of responses	Percent
Yes	56	64.4
No	31	35.6
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

1) The expected number of 87 franchisors provided a response.

**C9. What percentage of online sales is distributed to franchisees?**

Online sales – distribution to franchisee	Number of responses	Percent
No distribution	7	8.0
1 to 25 percent	21	24.2
26 to 50 percent	7	8.0
51 to 100 percent	52	59.8
<b>Total</b>	<b>87</b>	<b>100.0</b>

Notes:

1) The expected number of 87 franchisors provided a response.

2) A median percentage of 90% of online sales that are distributed to franchisees was recorded across the sample.

**C11. Is your online sales system supported by an App?**

Online sales support - App	Number of responses	Percent
Yes	24	27.6
No	63	72.4
<b>Total</b>	<b>243</b>	<b>100.0</b>

Notes:

1) The expected number of 87 franchisors provided a response.

## INTERNATIONAL FRANCHISING KEY FINDINGS

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90 percent of franchise brands are Australian-based networks.

One third of franchise brands are operating overseas.

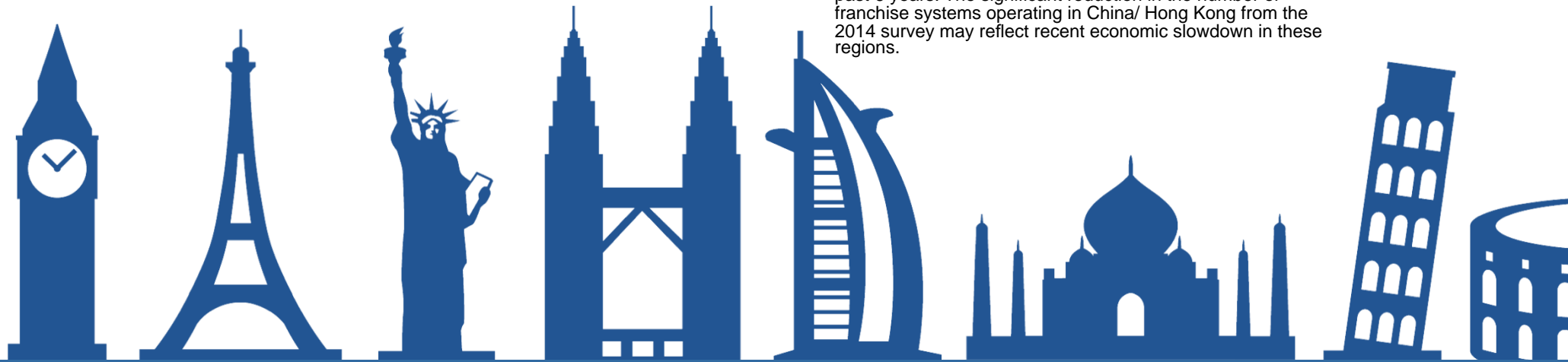
New Zealand remains the most popular international destination.

Franchise brands hold a median number of 35 domestic units prior to expanding into overseas markets.

Fully 90 percent of franchise brands surveyed reported that they were Australian based operations which is consistent with previous surveys. This suggests that the majority of franchises are Australian home-grown systems rather than international brands that have entered the domestic market. Of the 10 percent of non-Australian based franchises operating in the local market, more than half (56 percent) indicated that they possessed expansion rights outside of Australia. Broadly consistent with the previous survey in 2014, of the non-Australian based franchises that have the capacity to franchise beyond local borders, 32 percent confirmed that they were currently operating within other international markets. In addition, 30 percent of respondents indicated that they were planning to franchise overseas within the next two years.

The most popular destinations chosen by franchisors were New Zealand, United States of America, United Kingdom, Europe and Malaysia. As noted in previous surveys, franchisors appear to favour entering culturally similar markets (especially New Zealand) to gain experience prior to entering other international markets, although countries with larger populations (such as United States of America, United Kingdom and Europe) appear to be favoured on account of offering the most potential for system growth.

Just under half of the franchise units reported by franchise brands were held in English speaking countries such as New Zealand, the United States of America, United Kingdom and Canada, indicating stable growth in these regions over the past 6 years. The significant reduction in the number of franchise systems operating in China/ Hong Kong from the 2014 survey may reflect recent economic slowdown in these regions.



### C12. Are you an Australian based franchisor?

Australian based franchisor	Number of responses	Percent
Yes	212	89.5
No	25	10.5
<b>Total</b>	<b>237</b>	<b>100.0</b>

Notes:

1) A total of 237 franchisors provided a response from an expected 277.

### C13. Do you have expansion rights outside Australia?

Expansion rights	Number of responses	Percent
Yes	14	56
No	11	44
<b>Total</b>	<b>25</b>	<b>100.0</b>

Notes:

1) The expected number of 25 franchisors provided a response.

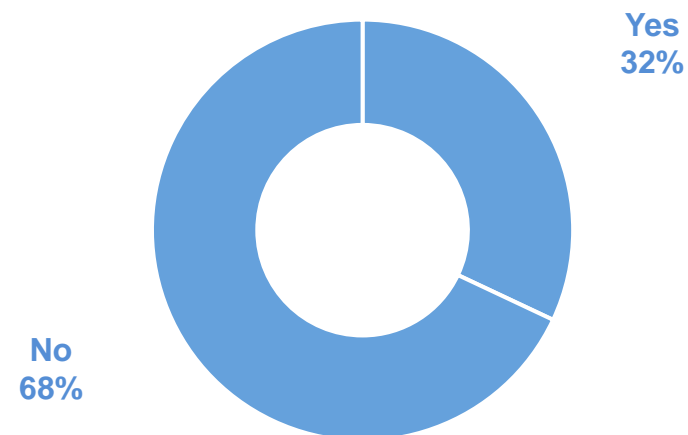
### C14. Are you currently franchising overseas?

Franchising overseas	Number of responses	Percent
Yes	72	31.9
No	154	68.1
<b>Total</b>	<b>226</b>	<b>100.0</b>

Notes:

1) The expected number of 226 franchisors provided a response.

### Are you currently franchising overseas?



### C15. Are you planning to expand overseas within the next two years?

Intention to Franchise overseas	Number of responses	Percent
Yes	43	27.9
No	111	72.1
<b>Total</b>	<b>154</b>	<b>100.0</b>

Notes:

1) The expected number of 154 franchisors provided a response.



**C16. How many units (franchised and company-owned combined) are held in the following countries or regions?**

Overseas units – Country	Number of Franchisors	Percent	Total number of units	Percent
New Zealand	53	73.6	947	8.1
United States of America	15	20.8	3 957	33.9
United Kingdom	12	16.7	831	7.1
Europe (excluding UK)	10	13.9	1 338	11.5
Malaysia	10	13.9	234	2.0
South Africa	8	11.1	463	4.0
Middle East	7	9.7	93	0.8
China/ Hong Kong	7	9.7	135	1.2
Canada	5	6.9	561	4.8
South Korea	5	6.9	309	2.6
Singapore	5	6.9	35	0.3
Indonesia	4	5.6	7	0.1
Japan	3	4.2	2 383	20.4
India	2	2.8	11	0.1
Other	8	11.1	381	3.3
<b>Total distribution of units</b>			<b>11 685</b>	<b>100.0</b>

Notes:

- 1) The expected number of 72 franchisors provided a response.
- 2) Multiple responses were recorded for some respondents.

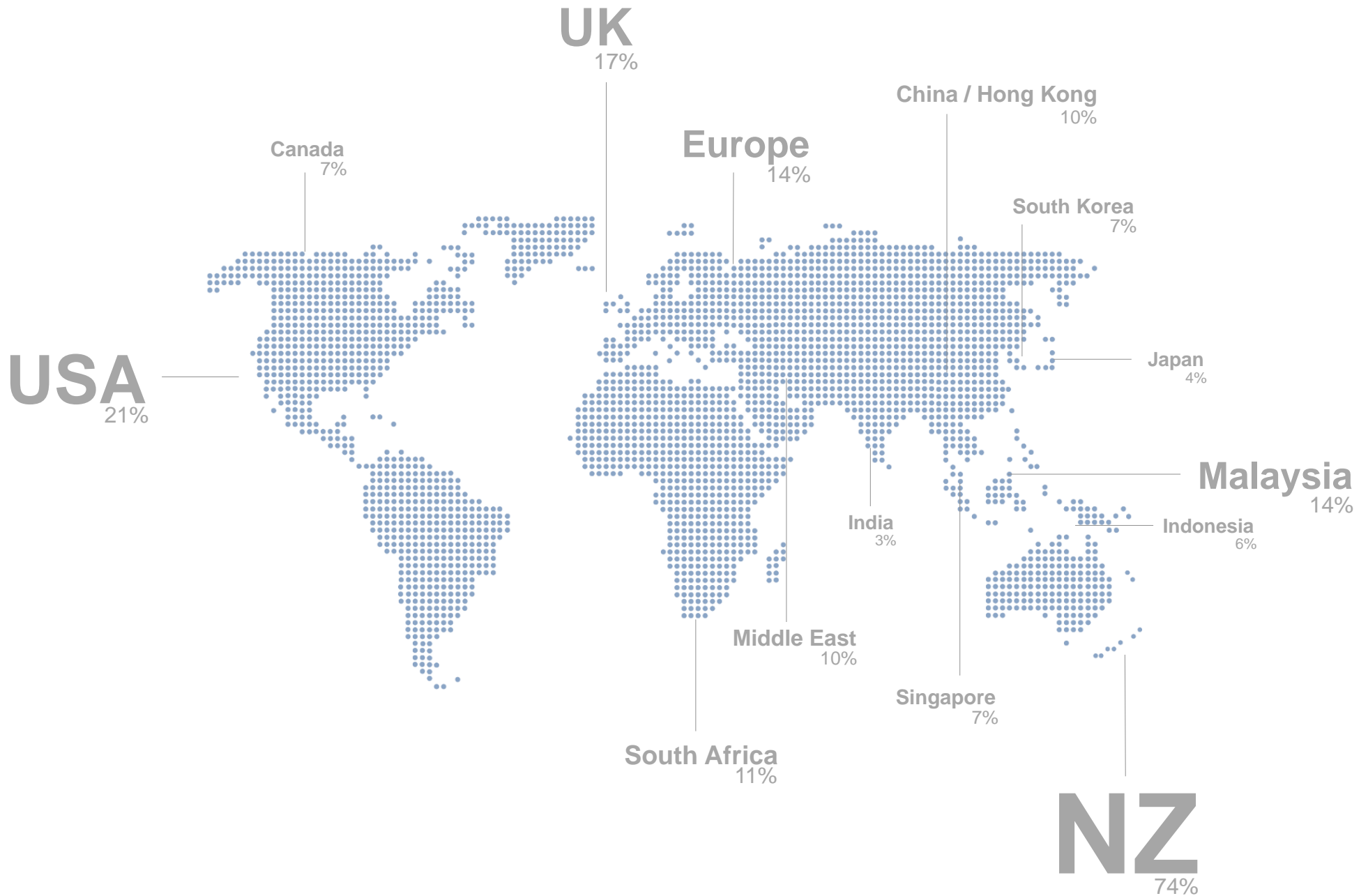
The most popular target market nominated by franchise brands expecting to operate internationally within the next two years was New Zealand (targeted by 70 percent of respondents) with a range of other countries considered less favourably. It appears that geographical distance and cultural fit are weighted more importantly than market potential.

**C17. What are your target markets for international expansion?**

Target markets	Number of Franchisors	Percent
New Zealand	30	69.8
Singapore	13	30.2
Malaysia	10	23.2
United Kingdom	10	23.2
Middle East	10	23.2
Indonesia	9	20.9
United States of America	9	20.9
China/ Hong Kong	8	18.6
Europe (excluding UK)	7	16.3
Japan	7	16.3
India	6	14.0
Canada	5	11.6
South Korea	5	11.6
South Africa	4	9.3
Other country or region	6	14.0

Notes:

- 1) The expected number of 43 franchisors provided a response.
- 2) Multiple responses were recorded for some respondents.



Over half (55 percent) of franchisors have been operating overseas for between 1 and 10 years, with a further 24 percent of respondents indicating that they have been involved in overseas operations for between 11 and 20 years. This suggests that franchisors are accustomed to using international expansion as a method of maintaining system-wide growth when confronted with local market constraints as domestic operations mature. The median number of 35 units held by franchises prior to entering overseas markets suggests that franchisors favour building local markets prior to expanding internationally. However, local unit holdings prior to franchising overseas has fallen from the reported median number of 45 units in 2014 (Franchising Australia 2014) which indicates that franchisors are seeking growth through entering overseas markets before reaching market saturation at home. Only 13 percent of franchise systems expanded their business concepts internationally prior to holding any domestic units.

C18. How many years have you been franchising overseas?

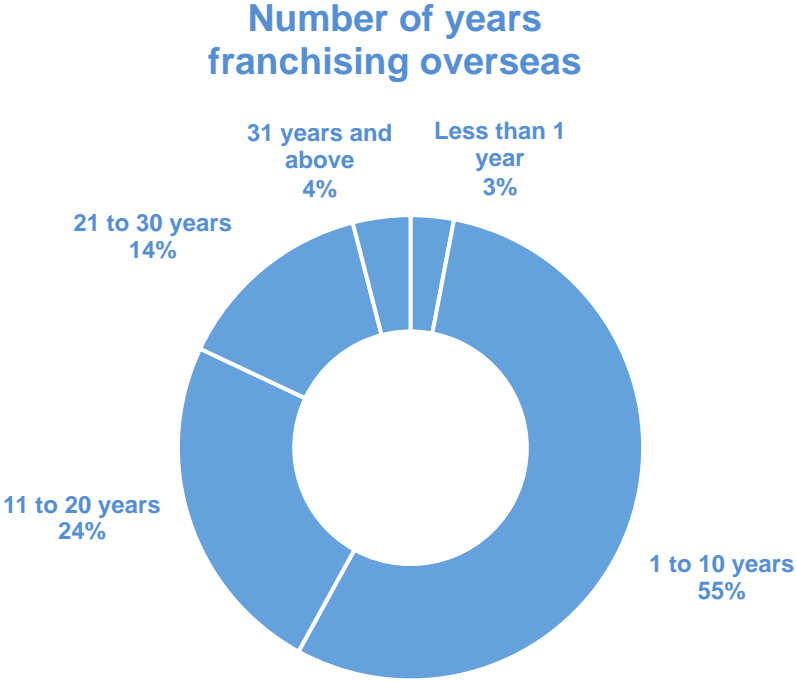
International franchising (years)	Number of responses	Percent
Less than 1 year	2	2.8
1 to 10 years	39	54.9
11 to 20 years	17	24.0
21 to 30 years	10	14.1
31 years and above	3	4.2
Total	71	100.0

Notes:  
1) A total of 71 franchisors provided a response from an expected 72.

C19. How many units did you open in Australia prior to franchising overseas?

Units prior to overseas expansion	Number of responses	Percent
0 units	9	12.7
1 to 50 units	39	54.9
51 to 100 units	14	19.7
101 to 200 units	5	7.1
More than 200 units	4	5.6
Total	71	100.0

Notes:  
1) A total of 71 franchisors provided a response from an expected 72.  
2) The median number of units was 35.



# MIGRANT FRANCHISEES KEY FINDINGS

Most franchise systems (73 percent) do not actively recruit migrant franchisees.

Franchise brands which recruit migrants hold a median of 32 percent of migrant franchisees.

The most common countries of origin are India and China.

Only 18 percent of franchisors indicated that they actively recruit migrants as franchisees in their brands, although 9 percent indicated that new Australians were factored in to their future recruitment strategy. Franchisors were also asked to indicate how many current franchisees were migrants or new Australians. Some 24 percent of franchise systems included migrants that comprised between 1 and 10 percent of all franchisees in their system, 19 percent of systems had between 11 and 20 percent migrant franchisees, with only 5 percent of franchise networks incorporating between 21 and 30 percent of franchisees from a migrant background. However, over half of the sample (52 percent) indicated that more than 30 percent of their incumbent franchisees were new Australians, lending support to the appeal of the franchise business model to minority groups.

## C20. Do you actively recruit migrants or new Australians ('new' means arrived within the past 5 years)?

Migrant franchisee recruitment	Number of responses	Percent
Yes	43	18.2
No	173	73.3
Plan to do so in the future	20	8.5
<b>Total</b>	<b>236</b>	<b>100.0</b>

Notes:

1) A total of 236 franchisors provided a response from an expected 277.

## C21. What percentage of your current franchisees are migrants or new Australians?

Migrant franchisees	Number of responses	Percent
1 to 10 percent	10	23.8
11 to 20 percent	8	19.0
21 to 30 percent	2	4.8
More than 30 percent	22	52.4
<b>Total</b>	<b>42</b>	<b>100.0</b>

Notes:

1) A total of 42 franchisors provided a response from an expected 43.

2) The median proportion of migrant franchisees was 32%.

**C22. From which countries did  
your migrant franchisees originate?**

<b>Migrant franchisees (Country of origin)</b>	<b>Number of Franchisors</b>	<b>Percent</b>
India	20	47.6
China	19	45.2
United Kingdom	9	21.4
Malaysia	8	19.0
Sri Lanka	8	19.0
New Zealand	7	16.7
South Africa	7	16.7
South Korea	7	16.7
Hong Kong	6	14.3
United States of America	6	14.3
Afghanistan	5	11.9
Iraq	5	11.9
Greece	4	9.5
Lebanon	4	9.5
Philippines	4	9.5
Vietnam	4	9.5
Indonesia	3	7.1
Ireland	2	4.8
Japan	2	4.8
The Netherlands	1	2.4
Other country	9	21.4

**Notes:**

- 1) A total of 42 franchisors provided a response from an expected 43.
- 2) Multiple responses were recorded for some respondents.





# Conduct of the Survey

The Franchising Australia 2016 survey was conducted by researchers from Griffith University's Asia-Pacific Centre for Franchising Excellence from July to August 2016. The identified population of business format franchisors was included in the survey.

The primary purpose of the survey was to obtain current information about the practices and performance of the Australian franchise sector. The series of biennial surveys commenced in 1998, thus providing longitudinal data spanning some 18 years from which to base analyses.

#### Population of Australian franchise brands

The lack of any official registration requirements on franchisors makes it impossible to accurately identify the population. However, the search conducted by the research team was extensive, leading to confidence that the database has a high degree of accuracy. Thus, sampling error is not a concern in this survey.

Griffith University's comprehensive database of business format franchisors was updated prior to the survey. Several sources were used to update the database, including the Franchise Council of Australia database, published franchise directories and information obtained from media articles and advertisements.

All organisations were contacted to confirm their status. Organisations were removed from the database if they appeared to be no longer operating or if they indicated they were either no longer franchising, not yet franchising, or were not involved in franchising arrangements.

#### Survey instrument

An online survey was used to collect data. The questionnaire was pilot tested twice (hard copy followed by online) by a sample of academics and industry practitioners. Due to declining response rates in previous surveys the 2016 survey was streamlined to make it faster for respondents to complete. Several follow-up emails and telephone calls were made to nonrespondents to encourage participation.

Full ethical clearance was granted by Griffith University's Human Research Ethics Committee and was disclosed within the survey. Only members of the research team had access to the submitted surveys.

#### Survey responses

Surveys were sent to the identified population of business format franchisors as indicated:

<b>Confirmed population of franchisors 2014 survey</b>	1124	
New franchises advertised 2015-2016	<u>90</u>	
Listed on database prior to 2016 survey		1214
Less exclusions:		
No longer operating	48	
No longer franchising	61	
No longer offering new franchise agreements	4	
Not a franchise	<u>12</u>	<u>125</u>
<b>Confirmed population of franchisors</b>		<b>1089</b>
Excluded from sample:		
Organisations not participating in survey	45	
Unable to be contacted (emails unopened)	<u>77</u>	<u>122</u>
<b>Organisations included in sample</b>		<b>967</b>

A total of 1089 franchise brands were confirmed. The sample comprised 967 organisations after removing 122 brands which declined to participate or were unable to be contacted. Some 277 usable responses were submitted, resulting in a response rate of 28.7 percent. This response rate is excellent for business related surveys and is higher than the 11.1 percent response obtained in 2014, confirming that the shorter survey and an intense follow-up process were successful strategies for improving responses.

#### Estimations for the franchise sector

As not all franchisors responded to the survey, the problem exists of estimating results for the entire franchising sector with confidence. Non-sampling errors may occur when estimates are derived from a sample. These include errors that occur because not all franchises are included in the sample of respondents. In particular, there may be a difference between those who responded and those who chose not to participate. Two tests were performed to determine whether such nonresponse bias was evident.

Firstly, the common statistical test of comparing early with late respondents was conducted on key variables. Late respondents are assumed to be similar to nonrespondents because they respond less readily and only after prompting. The results of this test indicated that there were no significant differences between the two groups.

A second test compared a sample of 50 nonrespondents (obtained from the Franchise Business online directory) with the 277 survey respondents on key variables: industry, age, size and franchise unit start-up costs. This test also confirmed that there were no significant differences between the two groups.

Another form of non-sampling error may occur due to incorrect responses being provided by respondents. To minimise this possibility, the data were checked carefully for out-of-range values, and respondents were contacted to verify irregular responses or the data were removed if respondents were not able to be contacted.

#### Survey results

The survey results in this report were presented in the order of appearance in the questionnaire. Responses have not been manipulated in any way, apart from the correction of errors made by respondents. Due to the non-normal distribution of the data, which has occurred because of the large variation in responses, the median figure (that is, the middle figure in a graded list of responses to a question) has been reported rather than the mean value (that is, the arithmetic average of a set of values). Due to the rounding of figures in tables, discrepancies may occur between the sum of component items and the total (that is, not all percentages will add exactly to 100%).



# ASIA-PACIFIC CENTRE FOR FRANCHISING EXCELLENCE

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The Asia-Pacific Centre for Franchising Excellence was formed at Griffith University in 2008, representing almost two decades of franchise research and expertise.

The Centre is the leader in franchise research, teaching and learning in the Asia-Pacific region, and works closely with the sector and government bodies to turn research findings into practical outcomes for franchisors and franchisees.

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[WWW.FRANCHISE.EDU.AU](http://WWW.FRANCHISE.EDU.AU)

# About the Authors

## Professor Lorelle Frazer

Professor Lorelle Frazer is the Director of the Asia-Pacific Centre for Franchising Excellence at Griffith University. Professor Frazer was the first person in Australia to complete a PhD in franchising and she has been actively researching franchising since the 1990s. In 2010 Professor Frazer was presented with the Contribution to Franchising award by the Franchise Council of Australia for her 'significant contributions to the education of the Australian franchise community'. The Franchising Australia surveys, which have been published biennially since 1998, have all been co-authored by Professor Frazer.

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## Dr Anthony Grace

Dr Anthony Grace is an academic in the Asia-Pacific Centre for Franchising Excellence at Griffith University. He has a PhD in franchising and is a member of the International Society of Franchising. Dr Grace teaches franchising and marketing in the Department of Marketing at Griffith University.

## Professor Scott Weaven

Professor Scott Weaven is the Deputy Director of the Asia-Pacific Centre for Franchising Excellence and the acting Head of Department of Marketing at Griffith University. He has a PhD in franchising and has co-authored the Franchising Australia surveys since 2002. Professor Weaven has published in excess of 100 academic articles in franchising and has won awards for research excellence at Griffith University.

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## Professor Selva Selvanathan

Professor Eliyathamby (Selva) Selvanathan is the Head of the Economics and Business Statistics discipline and the Director of Higher Degree Research (Training) in the Department of Accounting, Finance and Economics at Griffith University. He has a PhD in econometrics and is an expert on consumer demand and business forecasting. Professor Selvanathan has published a number of research monographs and several journal articles in leading journals such as *Marketing Science*, *Journal of Econometrics*, *Review of Economics studies*, *Review of Economics and Business Statistics*, *Journal of Business and Economic Statistics*, *Economic Modelling*, *Empirical Economics* and *Applied Economics*.