

# the franchise review

ISSUE 61 EDITION 1 2020

## Turning challenges into opportunities

How your franchise business  
can thrive in 2020

## Recruiting tomorrow's franchisee

Creating a value proposition  
in a fast-changing marketplace

## Understanding performance

Evidence-base decision  
making in franchising

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OFFICIAL JOURNAL OF THE FRANCHISE COUNCIL OF AUSTRALIA



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It might be a new year, but the challenges facing small business and, in particular, franchising are familiar ones.

# Finding and delivering value in challenging times

**By Mary Aldred,**  
CEO, Franchise Council of Australia

In the economic briefings and forecasts I've attended, the message has been consistent. The economy remains weak and while Reserve Bank governor Philip Lowe has stated there may be a "gentle turning point" in the economy later this year, businesses are understandably cautious.

For any business, this caution must be balanced with the need to continue to innovate and develop products and services that resonate with consumers and meet their fast-changing needs.

Finding value for money is the key here. It's easy to say that in the current marketplace, your franchise can't afford to invest in innovation, training or new initiatives. I would argue it's these very circumstances that mean you can't afford not to.

Perhaps this can be enabled by finding savings that don't compromise your brand's value proposition, or that of your franchisees.

One of the ways the FCA is working to facilitate this is through our partnership with EnergyAustralia. At last year's National Franchise Convention, I mentioned how this new partnership will provide FCA members with benefits including access to free energy assessments and follow up recommendations on off-peak usage, solar panels and battery storage.

This program is now underway, with the FCA and EnergyAustralia working together to roll out the assessment and audit program to a select group of members. We look forward to sharing the topline results over the coming months, and to offering this service more broadly across the FCA membership.

It might be that your business can find smarter ways to access training and professional development. The FCA can help here too.

You may have noticed the FCA has launched its new website at [www.franchise.org.au](http://www.franchise.org.au). This is designed to be a streamlined platform delivering fact-based data, business advice and assistance for members, as well as useful information for the broader sector.

Here you will find resources like the FCA's Franchisee Guide, aimed at assisting prospective franchisees and

existing franchisees with a toolbox of information from due diligence, to understanding franchise regulations and more. We encourage you to share this, and other useful information from our website across your networks of current and prospective franchisees.

Across 2020, we will also be working to deliver member-only exclusive information through this platform, as we seek to provide members with the edge in growing sustainable franchise businesses.

As the FCA looks to support members in delivering their ongoing education and training needs, we are also excited to partner with leading online learning and education platform, GO1.

This education partnership is designed to support the compliance, skills and development needs of FCA members through the provision of training and resources on an accessible online portal.

"I cannot overstate the importance the FCA places on ensuring that franchising remains a strong business model and that your individual businesses are in the best position they can be for ongoing success."

We're looking forward to sharing more details about the learning pathways and course content that will be available through the GO1 platform with members as the year progresses.

Value can also be gained by the connections that we form. Franchise professionals who are facing the same challenges as you but may already have solutions.

For CEOs of member franchise companies, membership of your local Chief Executive Syndicate is an investment being part of an invaluable peer-to-peer network of franchise executives unlike any other.

This year's National Franchise Convention, to be held in Melbourne from 18-20 October, is yet another opportunity for members to collaborate and learn.

At last year's NFC, I also said that while it's been a tough time over the last

12 months, this presents all of us with a transformational opportunity to shape the future that we want for franchising.

This year's NFC theme of "Shaping the Future" builds on this and reflects the need for franchised businesses to ensure they are well resourced to control their own destinies, even as market forces exert their pressures on the business environment.

Following the success of the FCA's inaugural Multi-Unit Summit in 2019, this event will again in 2020 bring together current and aspiring multi-unit franchisees and the franchise executives that support them to learn strategies to grow profitable multi-unit businesses and maximise the opportunities for the talented franchisees that are the backbone of every great franchise network.

The FCA is continuing its proactive, fact-based policy and advocacy platform. The issue of wage and superannuation payments, which last year disproportionately focussed on franchising, is now being viewed as an economy wide challenge, with big brands across a number of industries, including the ABC, Woolworths and state government departments being caught up. There is a current senate inquiry, and I expect there will be a section of the hearing focussed on franchising, which the FCA is preparing for.

The franchising taskforce, announced by the Federal Government last year, has been delayed in its reporting to the Minister due to the immediate focus of the department and the government on bushfire recovery and affected small business support. The Government will announce its intended regulatory changes in the coming months, and the FCA is continuing to engage closely with our members and the government on this.

I cannot overstate the importance the FCA places on ensuring that franchising remains a strong business model and that your individual businesses are in the best position they can be for ongoing success.

Each and every one of your memberships is valued, and I look forward to continuing to deliver value for you in 2020. ■



# Decision-making in franchising: Understanding performance



**by Dr Sudha Mani**  
Senior Lecturer,  
Department of Marketing,  
Monash Business School

Franchisors and their franchisees are interdependent on one another. Franchisees depend on franchisors to build the brand and provide operational support. Franchisors rely on their franchisees to be the feet on the ground, generate sales, and to provide exceptional customer experience.

Academic researchers and practitioners have a good understanding of what drives franchisor performance and growth, but there is a limited understanding of franchisee performance. There is also little insight into the extent of financial interdependence between franchisors and their franchisees.

In 2009, at the height of the financial crisis in the United States, various firms were filing for bankruptcy (or insolvency). Franchisor and franchisee bankruptcies are not unique to the United States or to the financial crisis of 2009. In Australia, Pie Face, the franchisor filed for bankruptcy in 2014. While more recently, in late 2019, a Red Rooster franchisee in Queensland filed for bankruptcy.

My colleagues (Kersi D. Antia, Western University and Kenneth Wathne, University of Stavanger) and I decided to examine franchise bankruptcies. We wanted to understand the extent of franchisor and franchisee interdependence and its implications on bankruptcy.

We started this research study by first examining three franchise brands in the United States.

First, Bennigan's (franchisor) filed for bankruptcy and closed 160 franchisor-owned outlets in the United States in July 2008. Some of the franchisees learnt about the bankruptcy only on the news that morning! Even though the

franchisor-owned outlets closed, many franchisee-owned outlets remained open. Some franchisees' sales dropped by 25 per cent and they were finding it difficult to get access to the supplies.

Even though the franchisor filed for bankruptcy, there were no immediate franchisee bankruptcies, and the brand survived.

Second, Coldstone Creamery started franchising in 1995. The franchisees complained about the steep cost of running the shops. The franchisor expanded rapidly and brought in too many inexperienced franchisees. Franchisees accused the headquarters of providing inflated earnings claims, and further accused them of providing very little help as their stores went under. And, consumers found the \$4 a scoop of ice cream as a pricey indulgence in tough times.

The franchisor, in turn, blamed the franchisees, "However, minimal restaurant experience, a lack of desire to do local store marketing or the inability to be operationally excellent can all contribute to the franchisee's inability to pay." (Wall Street Journal 2008)

Numerous franchisees filed for bankruptcy in 2009, but the brand survived.

Finally, 2008 was a tough time in the flooring industry and revenues were expected to fall by about 20 per cent. Floor Coverings International responded with an aggressive marketing strategy to help its franchisees go after new customers. The company offered its franchisees direct assistance in building networks for the referral business.

The company beat the industry trend, posting a 4 per cent increase in sales for 2008.

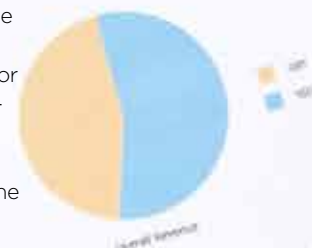
Three lessons emerge from these examples:

1. Franchisors can go bankrupt and even though it'll cause financial hardship for franchisees, it may not necessarily cause franchisee bankruptcies.

2. Franchisees go bankrupt, but it doesn't necessarily lead to franchisor bankruptcy.

3. Finally, despite the financial downturn, both franchisors and franchisees can thrive when they work together.

However, the examples provide no conclusive evidence of interdependence between the franchisor and their franchisees. We thus decided to examine interdependence more systematically.



Franchise Brand	Year	Revenue (\$M)	Profit (\$M)	Assets (\$M)	Liabilities (\$M)	Equity (\$M)
Bennigan's	2008	100	20	50	30	20
Coldstone Creamery	2009	150	30	75	40	35
Floor Coverings International	2008	200	40	100	50	50





### Evidence-based decision-making

In 2019, the Nobel prize in Economics went to Professors Abhijit Banerjee, Esther Duflo (both at Massachusetts Institute of Technology), and Michael Kremer (Harvard University). The team examined the effects of policy interventions on poverty alleviation. The Nobel prize was not only to acknowledge the team's work on reducing global poverty but also to recognise the need for evidence-based policymaking. Policymakers and governments were better able to allocate their limited resources because of the evidence from the studies.

Companies and managers are not very different. Evidence in decision-making provides robust outcomes. So, for example, in this instance, if the franchisor's goal is to reduce the risk of franchisee bankruptcies, then they should provide incentives to their franchisees, use selection along with ongoing socialisation. Monitoring is effective only when accompanied by increased incentives or reduced royalty-rates. This provides a clear pathway for reducing the risk of franchisee bankruptcy.

The large-scale studies help businesses, policymakers, and government to make decisions that have implications for everyone involved. Managerial evidence-based decision-making creates a shared knowledge that is pivotal for sustained growth and survival. ■

#### About Dr. Sudha Mani

Dr. Sudha Mani is a Senior Lecturer at Monash University. Her expertise is in the area of governance of franchisor-franchisee relations and their performance implications. Dr. Mani applies advanced econometric methods to work with big data. Her research has appeared in highly prestigious Financial Times top 50 journals. She has contributed to the Australian Parliamentary Inquiry Committee's report on the Franchising Code of Conduct and was a keynote speaker at the National Franchise Convention 2019.

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We carefully collected data on more than 1,100 franchisors over 10 years (1997 to 2009) in the United States to understand the interdependencies between franchisor and franchisee bankruptcies. In the process, we identified more than 7,000 franchisee bankruptcies and 41 confirmed franchisor bankruptcies. After careful analysis of the data on bankruptcies, we concluded the following:

- A franchisee is nearly **twice** as likely to go bankrupt if at least one franchisee within the same franchise system has gone bankrupt in the previous year.
- Franchisor bankruptcy is **five times** more likely to increase franchisee bankruptcy than when there is no franchisor bankruptcy.

- There is a **54 per cent** increase in the odds of franchisor bankruptcy for a unit increase in franchisee bankruptcy.

So how can franchisors mitigate this risk of franchisee bankruptcy, which in turn reduces the risk of franchisor bankruptcy?

There is information asymmetry between the franchisor and franchisee. Franchisors are concerned that prospective franchisees will misrepresent their abilities and/or shirk their ongoing responsibilities. Similarly, franchisees are also concerned that franchisors may not deliver on their end of the promise.

We thus examined how governance choices of selection, socialisation, incentives, monitoring, and royalty-rate affect franchisee bankruptcies.

- **Selection** – franchisors' selection criteria to identify the financial net worth and business experience of the prospective franchisees.

- **Socialisation** – franchisors' ongoing efforts to develop franchisee skills.

- **Incentives** – rewards that are offered to franchisees, so they can open additional stores.

- **Monitoring** – franchisors use company-owned stores to motivate franchisees by providing best practices.

- **Royalty-rate** – the ongoing royalty paid by franchisees.

Based on the theory, our hypotheses were that selection, socialisation, incentives, and monitoring would mitigate the risk of franchisee bankruptcy, while the royalty rate will increase the risk of bankruptcy.

However, we found only incentives reduce the risk of franchisee bankruptcy. And, selection, socialisation, monitoring, and royalty-rate had no direct effect on franchisee bankruptcy.

We also found franchisors that engage in both selection and socialisation together reduce the risk of franchisee bankruptcy. Similarly, monitoring, along with both incentives and royalty-rate, reduces the risk of franchisee bankruptcy.

### What are our conclusions and why should we care?

First, even though we acknowledged the financial interdependence between the franchisor and franchisee, this is the first large-scale empirical study to quantify the extent of risk due to bankruptcies.

Second, even though the theory suggested five factors to affect franchisee bankruptcy, we only found evidence that incentives reduce franchisee bankruptcy. This does not mean that franchisors should not pay attention to selection or socialisation, but instead, these same governance strategies could influence other aspects of franchisee performance.



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by **Susie Salmon**  
Partner, Private Clients  
PwC Australia

**Set your franchise business up to thrive in 2020**

# How to build a great strategy in challenging times

Economic fluctuation is a fact of life, and as business leaders it's important to be prepared as external factors arise. The franchise industry has faced a lot of adversity over the past few years, but these challenges present opportunities for growth if you plan accordingly and have a clear business strategy in place. Embracing change is a journey but with the right mindset, strong leadership and support structures, sustainable success is achievable.

Insights from PwC Australia's recent Australia Matters publication and CEO Survey indicate challenging times are set for 2020, with market confidence down, trust wavering and slow growth across most sectors. Advancements in the digital space are changing the customer landscape, which is driving franchise businesses of all sizes to rethink their priorities and how to tackle them.

This article will look at the opportunities for the franchise sector to come together as a serious growth engine for the country and to help turn the tide of economic headwinds in the national and global economy. I hope to provide some key insights to help you embrace change and set your business to grow market share, attract quality franchisees and create a network of profitable businesses.

The latest PwC CEO Survey report has identified five key challenges that we, as a firm, see Australian businesses facing in the current environment, along with the questions that franchisors should answer when planning not only to survive, but thrive.

Franchise networks across the country are rising to meet the challenges of today with fantastic results through strategic planning across financial management, client markets, operational initiatives and cultural transformation followed by strong and unified execution.

## Turning challenges into opportunities. How franchisors are adapting to the economic environment in 2020.



### Australia's economic growth prediction is just 2.3%

Australia's economic growth remains persistently lower than at any point in the past two decades. Average real gross domestic product (GDP) growth prediction is just 2.3 per cent for 2020-2040. The current decline in economic growth is driven by two broad forces. At a global level, we see persistent evidence of global economic growth contraction, driven by a slowdown in overall global trade activity. Locally, the principal driver of low growth is productivity caused by non-business factors such as our ageing population and government spending, yet there is still plenty that franchisors can do in order to help drive growth and profitability for their networks. In a low-growth, low investment environment, franchises that invest in new products, systems and innovation stand out significantly compared to competitors, and can also benefit from low cost of capital to fund or refinance existing debts.



### Our data is under-utilised

We generate thousands of data points every day in our franchise networks - but effective capture and analysis remains elusive. With the right tools and training, you can harness your data to help make better decisions, better assist franchisees to grow profitably and provide relevant network benchmarking to provide context and more targeted support. Shifting the focus away from purely sales-driven discussions, field support teams will have better tools to help guide franchisees through cash flow issues, support where their performance deviates from 'the norm', scenario plan key decisions and align a franchisee's personal and business goals.



### Skills mismatch will cost \$40bn over 20 years

60 per cent of adults are worried that automation is replacing jobs but only 23 per cent are accessing upskilling programs through their employer. Managing skills and training across broad networks with varying levels of control and autonomy can negatively impact the competitiveness of franchises in the market compared to corporate enterprises. Leading franchises have embedded best practice learning programs for their franchisees and workforce. Franchisors can leverage their scale to work with their supply chain and other stakeholders in the network to help franchisees understand the potential of new technologies and how the needs of their market are changing. Investment in training helps to build a loyal, highly skilled workforce which in turn, brings a competitive advantage to the network.



### Wage trust. IR law is complex and the price of failure is high

The franchise sector has a number of characteristics that create a 'perfect storm' for industrial relations risk, namely:

- Traditionally maintaining less oversight of worker payments compared to a corporate network.
- Statistically exposed more to 'at risk' industries such as retail and hospitality.
- The extent of franchisor responsibilities are poorly defined.
- Trust between the community and businesses is low and community tolerance for mistakes (genuine or otherwise) is almost nil.

Best practice franchisors are bringing in specialists to educate their network, and investing in compliance regimes and processes to help franchisees de-risk their investment.



### Lack of innovation

Australia spends 1.9 per cent of GDP annually on research and development (R&D), well outside the OECD top ten countries. Innovation in your processes and products drives productivity growth and is critical to improving franchisee profitability in the long term. Franchisors have a fantastic opportunity to build high performing teams by investing in innovations that have the buy in of all members of the network. You need both the people and the financial capital in order to succeed - how is the innovation culture in your network?





# Opportunities for success.

## Key questions franchisors should address as they build out their strategic plan.

### Driving profits in a low growth environment

- 1 Can we drive improved productivity in our network through better use of robotics, digitisation, and artificial intelligence, and how do we support and train our franchisees and staff to embrace new process?
- 2 Do we understand what products and services truly drive profitability and can we let go of any practices (and even products) that are no longer sustainable in the current climate?
- 3 How should we respond as interest rates continue to be close to zero, or even negative? Is this a risk and what opportunities does a low finance rate represent? How am I making my franchise network attractive to financiers and investors?

### Close the skills gaps to set the pathway for growth

- 1 How do we build the foundational skills of workers in our franchises?
- 2 What niche skills are required and how can we give our franchisees access to these skill sets to help their business grow?
- 3 Where are the opportunities for us to engage with educators and growth coaches to prioritise the necessary upskilling and training?
- 4 How can we ensure our supply chain has the skills to evolve alongside us?

### Embed best practice wage compliance across your business

- 1 When was the last time I checked that workers in my network have been paid correctly and how robust is my monitoring process?
- 2 Is my network wage compliance budget appropriate for the size and inherent risk level of my network?
- 3 A significant number of franchises don't have standardised administrative processes across their networks. Are time and attendance/ payroll systems and processes consistent across the network or are there areas of relative weakness and risk to the franchisor and franchisee?
- 4 Am I discussing wage compliance with my franchisees and staff to ensure a culture of tolerance for reporting and improvement, but zero tolerance for lack of action in response to identified deficiencies?
- 5 Have I sufficiently trained my franchisees in the industrial relations landscape, the relevant awards, and the risks to them and the wider network as a result of non-compliance?

### Leverage your data to drive performance and build a collaborative culture

- 1 Does the network, including your business coaching team, have timely access to franchise profitability or just sales metrics?
- 2 Do we use network data to budget, plan and forecast results for our franchises?
- 3 Is performance measured/ benchmarked and shared at least monthly so franchisees can learn from each other and respond to challenges as they are identified?
- 4 Is the data provided to the network in a format that encourages its use?

### Increase productivity by investing in technology

- 1 Where do we find out about emerging technologies that can make our network more streamlined and productive?
- 2 Are there structural barriers that prevent me working with my franchisees on new and innovative ways to deliver our product or services?
- 3 How can I make innovation and continuous improvement part of the core of our network?
- 4 How can I help bring my franchisees on the journey to invest with us, to share in the benefits of higher productivity, and ultimately create a more profitable franchise?

Showing leadership in response to challenging circumstances provides a massive opportunity for you to grow trust with your franchisees and customers. PwC and the wider franchise community are here to help you answer these questions - to help your network not only survive, but thrive. ■

## A final word on setting your strategy plan up for success

# Millions of ways to make a sandwich

## One ingredient remains the same:

### The Human Ingredient

We are a vibrant family of 1350 small businesses, operated by franchise owners in communities across Australia.

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With so much negative media attention about franchising over the last few years, it's easy to understand why recruitment of new franchisees is challenging and financiers are reluctant to lend money.

## Are you ready to recruit tomorrow's franchisee?



**By Richard Thame**

Chair, FCA New South Wales Chief Executive Syndicate





What's harder to understand is why we as franchisors are so reluctant to change, particularly when the warning signs have been around for a while now.

As an industry, franchising is an important part of the Australian economy. There is no question that we outperform other sectors when it comes to economic output, innovation and in many cases return on investment.

Franchises represent approximately 10 per cent of small businesses in Australia and yet we spend a huge amount of time, money and effort competing with each other for talent rather than acknowledging the threat from other forms of competing business formats and adapting our franchise models to become more attractive, interesting, stimulating and fulfilling.

Take the rapid rise of the gig economy. There are more people delivering meals on a moped today

than people who have considered buying a franchise this month.

Why? Because the gig economy solves a problem for consumers and makes it easy for people to earn an income in a way that suits their lifestyle.

At first using an app to organise our lives was a novelty, now it's normal for most of us and an absolute necessity for many!

If the way we get around town, order our meals and consume media has completely changed in the last few years it stands to reason that many people will challenge the conventional concept of a franchise.

The internet has given us a powerful research tool, removed traditional censorship and encouraged us to be amateur journalists and photographers with scant regard for industry conventions or codes of practice.

Some of our most trusted brands and institutions have let us let us down badly.

It's cool to trust no one and fake news and Russian hackers are everywhere.

It doesn't bear thinking about, particularly when the cost of artificial intelligence is getting so much cheaper.

So, what can we do to future proof our franchise businesses? I don't think we know and more importantly I don't think it's worth worrying about.

I do however think NOW is a great time to think differently about franchising and what we need to do to get the attention of a whole new generation of franchisees. Tomorrow's entrepreneur is someone who is not afraid to try, fail and try again. Someone who likes the idea of having three or more careers in one lifetime. Someone who gets a thrill out of contributing to their local community, celebrates diversity and is passionate about leaving the environment in a better state than they found it.

So, how can you create a value proposition for to attract tomorrow's franchisee and give your current franchisees an edge in this rapidly changing marketplace?

### Be clear about the values that underpin your business

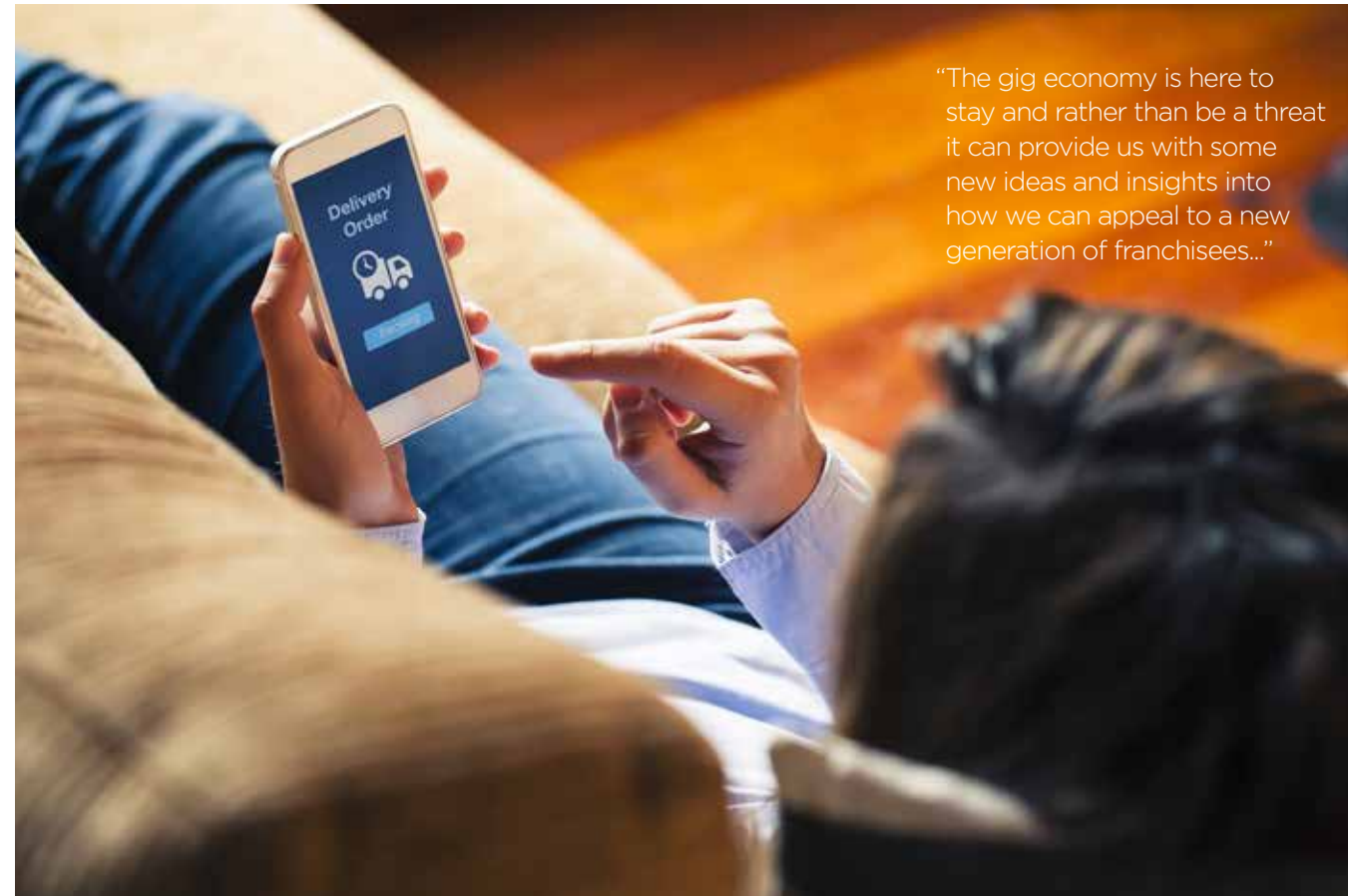
Know your values and the behaviours that support them and never compromise when you are inviting people to join the team. It's important that people considering a future with your franchise group are aware of what you believe in and feel that there is a good match with their personal values.

### Consider technology as a journey, not a project or product

Be flexible enough to build what you need and plug-in to the best of what's already been built. There is an expectation that systems are in place to handle routine tasks. If that's not the case, be upfront about where you are on that journey without setting unrealistic expectations about when you will get there. Social media has removed so many barriers to communication, it's important that we do the same in our businesses make it as easy as you can for the newest recruit to communicate the next big idea to the CEO.

### Transparency is the new black

Start modernising your franchise agreement now, being compliant with the Franchising Code of Conduct is critical but it's also a bare minimum. Be open about the roles and responsibilities of both the franchisor and franchisee. Make it easy to get information and answers.



"The gig economy is here to stay and rather than be a threat it can provide us with some new ideas and insights into how we can appeal to a new generation of franchisees..."

### Celebrate diversity

Actively seek out franchisees from different cultural and business backgrounds who will challenge the status quo and let their fresh ideas become the ingredients for tomorrow's products and services. Target people with the attitude and skills required to be successful in five years, not just today.

### Actively look for ways to add value to your system

Franchisees are busier than ever before and burdened by red tape. Take every opportunity to build critical business processes like accounting and HR into your franchise offering with standardised templates that ensure franchisees spend more time at work with their customers and at home with their families. There's a good chance that tomorrow's franchisee already expects they are there.

### Target support where it is needed the most

A one size fits all approach is unlikely to work. Franchisees experiencing difficulty need to know that you are there to support them and when things do turn around, celebrate that success. It doesn't take long for word to spread and it's likely that others are experiencing similar challenges without showing all the warning signs.

### Support causes that mean something to your people

There are so many worthy causes competing for attention. As leaders we need to step up to the challenge and find sensible ways of protecting the environment for the next generation of franchisee. It's no longer just the responsibility of government and fortune 500 companies to do so.

### Lock yourself out of the business.

Franchising can be all consuming. We all need to make time to invest in our own development, particularly as leaders. One of the best ways of doing that is to join a structured networking program that enables you to spend regular time with peers that understand the business challenges that you are facing in a confidential environment. The FCA provides a forum called the Chief Executive Syndicate (CES), a group of franchise system chief executives that meet monthly. Each group is independently facilitated and provides a forum for sharing ideas and experiences. A structured monthly commitment is more than just time out of our business, it's an investment in your own professional development, through the new networks you build, experts that you can learn from and experiences of your peers.

The gig economy is here to stay and rather than be a threat, it can provide us with some new ideas and insights into how we can appeal to a new generation of franchisees who may never have considered their own business.

One thing is certain, the gig economy can't provide the level of ownership, value creation, community spirit and rewards that we can achieve from a healthy franchise sector. ■

#### About Richard Thame

Richard Thame is the chair of the FCA's NSW Chief Executive Syndicate (CES). The CES is a dedicated professional development peer support network for CEOs, MDs and GMs of Australian franchisor companies and the only CEO organisation in Australia that specialises in the world of franchising.

Find out more about the benefits becoming a CES member at <https://www.franchise.org.au/about/chief-executive-syndicate/>



# Australian Employment Laws are Complex

Discovering your franchisees failed to meet their employment compliance obligations could be a financial disaster for you.

Franchisors can be held responsible for the wrongdoing of their franchisees. The Vulnerable Worker Laws were introduced in September 2017 and it still is challenging for franchisors to understand

what their obligations are and how to meet them. Let us guide you towards meeting your reasonable steps requirements and give your franchisees access to tools they need to make the right decisions.

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## Awards and superannuation complexity is killing compliance

**By Mary Aldred,**  
CEO, Franchise Council of Australia

Of the 116 federal parliamentary inquiries underway, the Senate committee looking at wage and superannuation underpayments is a standout. From small to large businesses and a range of industries, underpayments appear economy-wide.

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While some sectors such as franchising have had a higher profile on the issue, the fact Woolworths, the ABC, Bunnings and the Victorian Department of Corrections also have been caught up in wage or super underpayments, shows no sector is immune.

Compliance should be non-negotiable. While some regulators and politicians prefer to dismiss than deal with it, complexity is killing compliance. Of the seven key areas being reviewed by the Senate inquiry, none includes complexity as an area for further examination.

Looking at the reasons behind non-compliance, most fall into the category of inadvertent underpayment, not deliberate decisions to ignore our workplace laws. In many cases, a new ownership group acquires a business. It undertakes an internal audit. Non-compliance issues come up that didn't arise during the pre-sale due-diligence process. The new owners take active steps for the previous owners to make good the shortfall.

This should be treated differently than an employer who deliberately underpays their employees until they are caught. Yet under ad hoc wage criminalisation initiatives popping up around Australia, they would be treated the same.

Although the federal government has already said it is preparing legislation on wage underpayment criminal penalties, and the states handed their IR powers to the commonwealth in the 1990s, Victoria is pushing ahead with its own scheme. It's just one example of how the focus on this issue has become more political than problem solving.

The awards system is due for an overhaul. With more than 120 different awards, it's not hard for businesses to get genuinely lost in the detail. Take a

restaurant award that determines the difference in pay levels for staff allowed to serve beverages but not liquor hanging on whether they have achieved a certificate 2 qualification or not, but this not being spelled out clearly in the award.

Take another example, where the correct award to apply depends on a fine distinction made between whether the bulk of the business is intended to be takeaway food or dine-in, and whether it is situated in a food court or elsewhere.

Equally, the enterprise bargaining system is failing employers and employees. With many large companies opting to fall back on the award because of uncertainty about what would be an acceptable enterprise agreement, it's time for a rethink. If the full resources of an organisation as large as the ABC can't get it right, what hope do small businesses have?

The attention on superannuation underpayments is starting to catch up with wage underpayments. While superannuation underpayment can occur in isolation, if an employee is being underpaid on their wages there's a good chance super is being short-changed too.

Advancing technology will go a long way to closing the gap on non-compliance. Time-in-attendance platforms such as Deputy are providing a digital solution to ensuring employee clock-on and clock-off times are registered properly and that those employees are paid in accordance with their award or enterprise agreement rules. Industry bodies such as the Franchise Council of Australia have an expert employment relations hotline its members can call to check award rates and conditions.

Still used adversely as a poster child on this topic, 7-Eleven should

"The awards system is due for an overhaul. With more than 120 different awards, it's not hard for businesses to get genuinely lost in the detail."

now be seen as the benchmark for compliance effort and innovation, having invested upward of \$150m in compliance payroll and clock-on, clock-off technology across its system. But not every business can afford that level of investment.

Any parliamentary inquiry serious about this needs to tackle the too-hard basket. As well as wage and award complexity, there needs to be a new look at superannuation payments.

Super belongs to the employee and should be paid regularly. Any good business coach will advise business activity statement payments be put into a separate bank account to avoid the temptation to use it for operational cashflow. The same could be said for employer super contributions. Letting super payments drift out over a longer period means it's more difficult to bring them in as a bulk payment, particularly for a small business.

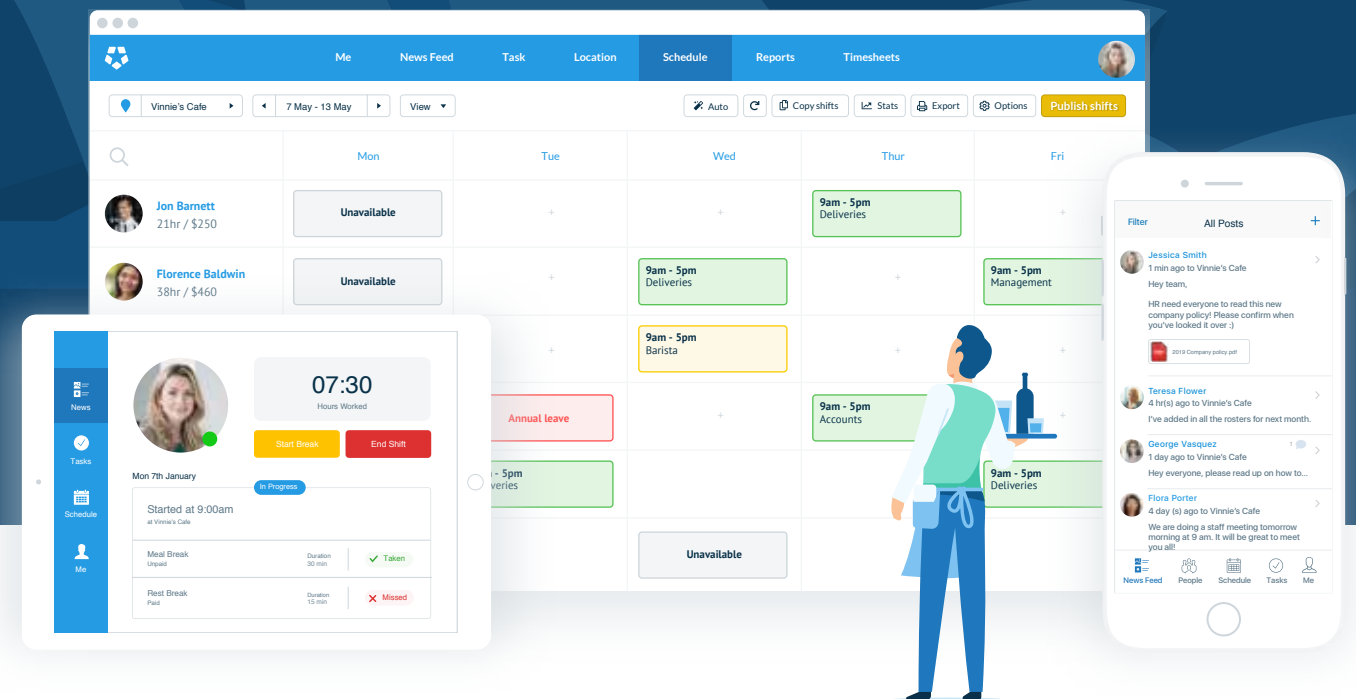
Two changes should be considered through this Senate inquiry into underpayments. Superannuation payments should be timed to wage cycle payments. If a business pays monthly or fortnightly, then that is when the superannuation payments should occur. Previously, this would have introduced a major paperwork burden for employers, but with the widespread take-up of subscription accounting software packages such as MYOB, designed to help small businesses, this can be done at the click of a button.

Second, make super payment compliance the 11th national employment standard. That money belongs to the employee, and the national cost to employees and businesses as a consequence of noncompliance is too great. The introduction of the GST provided a blueprint for a national education campaign for business through far more complex reforms than anything mooted on super.

If the federal government has the appetite for reform, these two changes would make a meaningful entree. ■

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There are more than 2.3 million businesses currently operating in Australia. Despite a boost of more than 15 percent in new businesses entering the market last year, over 12 percent exited. Only 62 percent of Australian businesses will continue to operate beyond four years.

# A formula for business success: Six action areas

By John Post

Training and Development Manager  
Kwik Kopy Australia

The numbers don't lie: running a successful business is a struggle. Most won't survive. In my line of work, I am lucky enough to engage with a vast network of Australian small and medium sized enterprises (SMEs) - more than 90 Kwik Kopy centres and the thousands of SMEs they provide print and design solutions to everyday.

In this time, I've observed six key areas that will make or break any business, regardless of industry, size or scope. By focusing on these five action areas, your business will have a useful formula for success.

## 1. Plan, plan, plan

From the beginning, your business you must prepare a detailed business plan. Benjamin Franklin supposedly once said, "If you fail to plan, you are planning to fail."

Compiling a 24-month cash projection is a critical part of your plan, as is having a longer-term view of your business by setting key goals and objectives for your first five years.

Without establishing what it is you want to achieve and planning how to get there, business becomes guesswork and flying by the seat of your pants.

It sounds obvious, but in my experience the majority of businesses are lacking when it comes to planning. While nothing in business - or in life - is 100 per cent certain, visualising

success and mapping how to get there is essential. Update your plan as your business progresses and grows and include key KPIs to measure your business against on a monthly basis.

The importance of planning is well encapsulated in this extract from Lewis Carroll's Alice in Wonderland:

**Alice:** *Would you tell me, please, which way I ought to go from here?*

**The Cheshire Cat:** *That depends on a good deal on where you want to get to.*

**Alice:** *I don't much care where.*

**The Cheshire Cat:** *Then it doesn't much matter which way you go.*

**Alice:** *...So long as I get somewhere.*

**The Cheshire Cat:** *Oh, you're sure to do that, if only you walk long enough.*

## 2. Focus on your people

Do you have the right people in your business? Who you employ in your business makes a huge difference to your success. Your people will win or lose you business, so employing and developing the right people is critical. If you employ based on attitude, you can't go wrong. Skills and knowledge can be developed, whereas a poor attitude is much more difficult to shift. Select people who want to learn, are energetic, positive and hold themselves accountable. These people will contribute to high performance,

especially if you have accountability and incentive structures in place to drive that performance. If you look after them, they'll look after you.

Remember their attitude and performance level will never exceed yours so show leadership by always exhibiting a strong work ethic, being upbeat, having a positive attitude and making your place of business a fun place to be.

Engender strong teamwork in your workplace and take a personal interest in all your staff. Foster their skills and provide ongoing training. Most importantly, communicate to your staff and share with them your vision, goals and how the business is performing.

## 3. Simplify problem solving

Does it feel like you are constantly 'fighting fires'? Solving problems is a daily occurrence in business, but it can become much simpler if you have the right structures in place.

To problem solve successfully, it's important that you can identify problems early. You must capture the data which measures your success - or lack of. For example, if you forecast cash flow, you'll know in advance if there is a cash flow bottleneck ahead. The only way to solve the problem is first identify the problem. You'll then have sufficient time to take action to rectify it.

In practical terms this means having accurate and timely financial profit & loss/balance sheet reports prepared every month which are reviewed and analysed to allow you to measure your business performance.

## 4. Promote your business

Is your marketing up to scratch? Marketing and promotion is a business' gateway to sales. Whether your marketing program is focused on new leads, building the brand, retaining existing customers or creating advocates for your business, all will contribute to a healthy top line.

Marketing will enable you to generate growth within your existing customers, win new customers, engage the market and own your space.

## 5. Stay passionate and positive

Most business owners start out passionate and positive, but the daily grind can wear them down. If you are able to stay passionate and positive about your business, it will not only become easier for you to love what you do but that passion will come across to your customers as well.

Talk up your business to everyone and anyone who will listen to you. Live and breathe it. Your customers and staff will respond in kind.

## 6. Avoid procrastination

We all have important duties and tasks that we don't like doing and we tend to put them off and undertake simple, unimportant and easy tasks instead. Make it a rule to tackle the most important things first, do the things you fear the most or the things you have been putting off even though you know they are important. Get them out of the way, prioritise, and make sure you are doing the most productive thing possible any given moment. Your time is important and valuable so manage yourself well and get things done. Be a doer!! This will improve your state of mind and well being as well as improving your health and motivation.

While these six areas may seem straightforward, more often than not, business owners will find that they are falling down in one or more of them. Understanding this creates a useful starting point for your action plan. Not sure if you have the right people in your business? Hire new talent or create accountability measures to drive performance. Not generating enough leads? Focus on turning your customers into advocates and referrers. Not sure why customers aren't coming back? Measure customer performance and ask for feedback so you have the right information to solve the problem. If you can get the formula right in these six areas your business will be in great shape now and into the future. ■

### About John Post

John Post is the Training and Development Manager at Kwik Kopy Australia. He manages the training, development and business performance programs for franchisees. Kwik Kopy is a corporate design and print solutions company which provides services including graphic design, business card and stationery printing, brochure and catalogue printing, as well as posters, banners and signage for small to medium sized businesses. Kwik Kopy Australia was established in 1982 and has grown to operate over 90 franchises throughout Australia today. [www.kwikkopy.com.au](http://www.kwikkopy.com.au)





# Community contribution a win-win for Bakers Delight

Supporting charities and community organisations has proven to be a win-win for the Bakers Delight network and the causes it contributes to.

As a strategy, corporate social responsibility has been pivotal to entrenching franchisees' businesses into the local communities that are so vital to their ongoing success.

"Community has been at the heart of our bakeries since we first opened 40 years ago and the generosity our franchisees have shown during that time has been overwhelming," says Bakers Delight joint CEO, Elise Gillespie.

"Working closely with their

communities allows franchisees and their teams to support and contribute to projects they are passionate about, while setting themselves apart from their competitors.

"Many of our customers know that shopping at a small business does not only support the owner but the wider community too."

As a family owned business made up of many smaller family businesses, Bakers Delight is committed to supporting the local community, whether it be donating end of day stock, donating product to local fundraisers, sponsoring the local sports team or contributing to major charities such as Breast Cancer Network Australia or KidsCan.

It's a strategy that works well for a network of franchisees that is constantly

competing with supermarkets that control the market through big advertising budgets, convenience and lower prices but struggle to connect with their communities at a local level.

Bakers Delight's approach to community is one built on longevity. While many larger brands may come and go from local communities, Bakers Delight does a lot of market research and business analysis to ensure a new bakery can be there for the long haul.

As a result, the bakeries truly become part of the community by employing locals and supporting local clubs and schools.

In turn, local residents recognise the contribution the bakeries make to their local community and are more inclined to shop there as a show of support.

This year, Bakers Delight will be



celebrating 20 years of supporting Breast Cancer Network Australia (BCNA). Since the partnership began, Bakers Delight and its franchisees have supported BCNA with almost \$20 million worth of funds and pro-bono services.

Similarly, in New Zealand, 2020 will mark the third year of the Bakers Delight partnership with KidsCan - a Charitable Trust that provides food, clothing and basic health items in schools to enable Kiwi kids living in hardship to reach their full potential.

Recently the network has also been working with national charities in Australia such as Man With a Pram, Starlight Children's Foundation and Red Cross Australia.

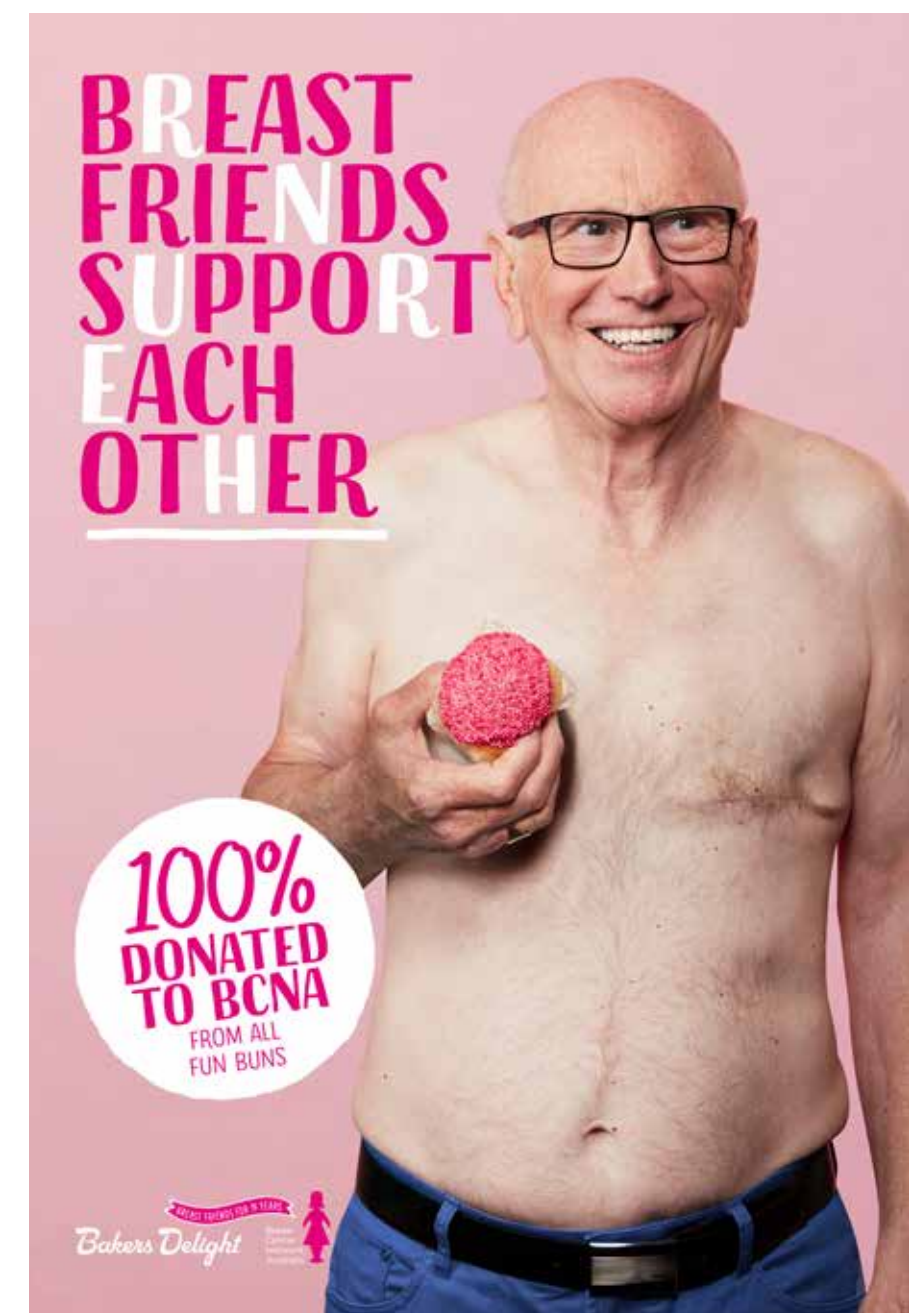
Partnering with a national charity in both Australia and New Zealand, and supporting it with an integrated, strategic marketing campaign, provides franchisees with the tools they need to connect with the community and give back in a way that is comfortable for them, ensuring the benefits are felt across the network.

As a network, Bakers Delight also makes a conscious effort to continuously promote and celebrate the great community work of franchisees, with a dedicated team responsible for finding great stories of franchisees' generosity and sharing them through our internal and external communications channels.

More recently, the brand has begun to nominate franchisees for community-focused industry awards to further promote and recognise their achievements.

Highlighting what franchisees are doing well and sharing the positive feedback they receive is in turn providing great motivation for other franchisees within the network.

"This year, Bakers Delight will be celebrating 20 years of supporting Breast Cancer Network Australia (BCNA). Since the partnership began, Bakers Delight and its Franchisees have supported BCNA with almost \$20 million worth of funds and pro-bono services."





## Franchisee rises to the challenge for charity

Winner of the FCA's Franchisee Community Responsibility and Contribution Award for 2019, Jo Heidke, epitomises the Bakers Delight philosophy of giving back to the community. The Burleigh Heads (Queensland) franchisee supports a number of charities and local organisations, but her work to support a women's charity in 2018 was truly outstanding.



"Owning a Bakers Delight franchise, I feel I am in a unique position to help because I and my staff literally talk to hundreds of people daily," Jo said.

"I've always believed Bakers Delight do community really well. We stand out from other bakeries because we are community minded and I am lucky enough to have customers who I know I can lean on and vice versa.

"It dawned on me that through our daily interaction with our loyal customers, I could help spread the word about some of the local causes that matter to me.

"I think the greatest thing I have achieved for the business out of getting involved with charities and local causes has been to re-establish the bakery as a genuine community hub. The type of community support we have provided over the years and to this day, communicates to people that we are not a faceless business - we are local small business owners like them and are an essential part of their community.

"One of the highlights of my career was supporting a special charity campaign called Share the Dignity in

2018. What started out as something relatively small, escalated into something truly remarkable.

"I attended a high tea fundraiser for the charity and was motivated to take some action of my own. Each year Share the Dignity holds an 'In the Bag' drive, which encourages everyday people to donate handbags full of basic personal hygiene items including shampoo, soap, deodorant, toothpaste and tampons to be passed on to homeless women and teens, who are not able to afford these products themselves.

"I started with a small goal of collecting and filling 100 bags, but I was challenged by a friend to go harder and source 1000 bags. I never back down from a challenge. If anything, it made me even more motivated, so went into overdrive and began letting friends, family and customers know what we were doing.

"We used posters in the bakery, Facebook and anything else we could think off the raise awareness of the cause and how we all could help and soon found that the local community was only too happy to get behind such an important project.

"The news about what we were doing spread far and wide and soon enough we were receiving bags and products every single day from all over Queensland - not just locally. As more and more bags began to arrive, we realised this thing had a life of its own. Every time I went into the bakery, there would be more and more bags and product and my house looked more like a warehouse.

"It was just an amazing response from an amazing community of people. In the end we donated an incredible 1140 bags full of products.

"What I loved most about taking part in the Share the Dignity project, besides assisting more than 1000 Australian women to live a more comfortable life, was the positive impact it had on the community.

"Through this project, I was able to meet beautiful women, hear amazing stories and share delightful memories that will change me forever. This campaign has helped our community learn how impactful we really are, how we can build together and make the community we live in even brighter." ■



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# Making sense out of chaos - the power of visibility and dashboards

Article provided  
by Redcat

As business management thinker Peter Drucker so famously said; “You can’t manage what you can’t measure”. Nowhere is that truer than in a hospitality business, where having information and insight can make the difference between success and failure, profit and loss.

The key issue here is that we are literally surrounded by information. Flooded really. And sorting through the vast amount of information available to us can be overwhelming.

Visibility is king in hospitality – having the information to answer key business questions, such as “What is my most profitable dish?”, “How many staff do I need at different times of day?”, “What would be the impact of tweaking this

recipe?”. “When do I need to re-order key ingredients?”. The list of questions is as individual as each hospitality business, but the common theme is that without answers to those questions, you are running your business ‘blind’ – second guessing and making decisions based on feel rather than reality.

Enter Business Intelligence, or BI, the tools used to single out the exceptions and trends that create actionable

information from the chaos. BI can be presented in many ways, but a dashboard is generally considered to be the modern weapon of choice. dashboards provide that visibility – reports that show you the state of your business and provide the hard data to support sound decisions that help grow your hospitality enterprise. But with the wealth of dashboards available, what are the key things you should look for when starting down this path?

## Real time data

Hospitality is a high-speed business. If you have an issue on Tuesday, there is not much point in knowing about it on Friday, when it is too late to do anything about it. Whilst it’s true that overall trend data is useful to support strategic longer-term planning, much of the success of hospitality is about making ‘here and now’ decisions. So, you need key insights that you can turn into meaningful action. An example is keeping track of customer feedback on cleanliness in a restaurant franchise: data is captured from customers as they are in the store and compared in real-time to national or state benchmarks. If a store falls below a key trigger point, an alert is sent for additional cleaning. This kind of prompt action improves customer satisfaction, sales, and reputation.

## High level and drill down

Beware of reports that show too much data up front. They simply become unmanageable. A good dashboard will give you a high-level red/amber/green overview for an ‘at a glance’ view of business health. Where metrics are green, you won’t need anything further. What you will need is the option to drill down and get more data on the amber or red metrics, this is also referred to as exception reporting. Here you’ll want to be able to quickly get to the detail that shows you the underlying cause of the issue, which will of course guide your actions to put it right. If you’re a multi-venue business, you’ll want an overview of all your locations, with a flag to rapidly show you any that need your focus and the ability to get to the heart of any issues quickly. A good dashboard will offer you the combination of a brief summary, with the ability to get right down into detail where required.

## Tailor-made

Every hospitality business is different. The metrics that are crucial to one may not be as significant to another. It is important when selecting a dashboard that you can tailor it to answer the questions that would otherwise keep you awake at night; the questions that drive your business, not someone else’s. A valuable dashboard solution will let you customise what your people see to help them run the business. Imagine having different dashboards for front of house, the sommelier, the general manager, the area manager, and the owner. Or a single set of dashboards for all team leaders. And giving some of those people the ability to create their own dashboards to suit their particular needs. Flexibility is the key.

## Wide set of inputs – internal and external

If your dashboard system is going to be truly tailored to your needs, it will need to be able to incorporate input from every part of your business – including financial systems, staff and wages, inventory, recipe management, loyalty, marketing and suppliers. Increasingly, hospitality businesses are recognising the value of incorporating external data into their dashboard systems – for example, spotting that sales of cold drinks decrease in a cold snap, and creating promotions on hot drinks as the temperature falls. Or capturing data from telematics systems, such as a temperature monitor in suppliers’ delivery trucks, to confirm whether your perishables are going to arrive in useable condition.

## Anytime, anywhere access

Not many hospitality managers spend their day sitting at a desk, looking at reports. They are in the venue with

“A great dashboard gives you a new level of responsiveness – showing you how your business is doing, here and now, and enabling you to take the right business decisions.”

customers, managing staff, meeting with suppliers or travelling between venues. A dashboard therefore needs to be as flexible as you are – with reports accessible on phone, tablet or PC and audible alerts to let you know when something needs your attention.

So how do you get your hands on a good dashboard solution? Dashboards should be built into your POS and Restaurant Management Solution, drawing information about everything from front of house to back of house, loyalty, labour, and inventory. Talk to your POS provider, and make sure you’re getting the most out of the information being generated by that complicated restaurant you own. The sooner you start unravelling the mysteries in the data, the better off you’ll be.

Gone are the days of relying on weekly or even monthly reports in hospitality. The speed and sheer competitiveness of the industry means that a new level of responsiveness is needed if you are to play the game and stay in the game. A great dashboard gives you that responsiveness – showing you how your business is doing, here and now, and enabling you to take the right business decisions. ■

### About Redcat

The Redcat hospitality IT platform supports cafes, restaurants, QSRs and multi-site franchises. The platform starts with our POS, which includes kitchen management and reporting. However, our points of difference are loyalty, mobile apps, online ordering, multi-site management and reporting, and award-winning integrations with accounting, rostering, and delivery services.





# Taking a SMART approach to business planning

Article provided  
by MYOB

Between natural disasters, coronavirus and the ever-changing regulatory environment, there's little wonder that Australian retail businesses have been in the headlines for all the wrong reasons.

Rather than dwell on stories of doom and gloom, retail business leaders should look to their own processes, systems and strategies in order to chart a course towards sustainable business. But before you dive into the details, the first thing you'll want to do is review how you develop, implement and measure the effectiveness of your strategies.

In order to do that, start with a business planning protocol that makes sense. This entails first defining what success means to you and your business, setting practical, realistic goals and stretch targets, and developing contingency plans should the situation change.

After that business planning has been completed, you'll be in a better position to appraise each element of your organisation for effectiveness.

## Five pillars of business planning

### 1. Define success the SMART way

Truly useful business planning requires a definition of success that includes both financial and non-financial outcomes that can be quantified at any given moment in time.

The SMART approach sets some solid boundaries on what sort of objectives you should include. That is, objectives should be Specific, Measurable, Achievable, Results-focused, and Time-bound.

### 2. Don't forget your 'why?'

Your business planning should always tie back to your vision or purpose, which ideally should already be defined.

This means, while you might set an objective of selling X particular products in a year, or lifting profits by Y percent over six months, you want to be able to articulate why these goals are integral to living up to expectations set in your vision.

And don't forget: once these elements of your business plans are set to paper, that doesn't make them set in stone. Regular review processes can be used to completely rewrite these stated goals should it make strategic sense to do so.

### 3. Research and forecast

A common mistake made in business planning occurs when leaders make incorrect assumptions about the current

state of play, or how market conditions might change in future.

Not only do you want to commit a reasonable amount of time in regularly monitoring the market, you also want to build a variety of models for tomorrow, next month and next year.

Are consumer attitudes changing? Is your sector facing increased competition and how long will those competitors be able to hold out? What are those competitors potentially thinking about the future and how might you counter those potential shifts?

There's no end to the questions you can come up with that are useful in interrogating and challenging your assumptions. The more you do, the more prepared you'll be for when things shift.

At the same time, don't let your research and forecasting turn into a case of analysis paralysis. Set yourself a level of appetite for this element of planning, and calibrate it based on effectiveness each time you undertake a review.

### 4. Reviewing systems and processes

The essential business blocks of your business, systems and processes encapsulates everything from how you maintain your website, to how you keep a clean bathroom.

If you've undertaken a comprehensive review of your plans for the future, it's time to look at your systems to make sure there's alignment. In this circumstance, it may be useful to

consider an 'ideal state' based on what systems you'd have to meet your goals, unconstrained by budgetary concerns. You can then go in the opposite direction and consider 'minimum viable systems' – how could you achieve your goals on the smell of an oily rag?

And don't forget! While things like people, products, pricing and customers aren't necessarily considered system components, they are present within the system and can also be key variables to work with in your planning.

NB: A fundamental part of analyzing all the moving parts of your business lies within a core system: business financials and reporting. Of course, businesses handle this function in a variety of ways, but at its heart you're going to want to have a comprehensive bookkeeping and accounting software that can deliver accurate, up-to-date financial data at a moment's notice, and in a way that you find easy to understand.

If for whatever reason you find it difficult to gain the insights you need from your financial data, you'll want to rectify this by engaging an expert who can assist, or by reviewing the software you're using against the competition.

### 5. Set bold budgets

Now you've taken time to weigh up the size of your business plans and its contingencies, as well as having compared them against existing and ideal systems, you'll want to set a pragmatic budget to meet your needs.



Again, this is where it's helpful to have come up with a variety of models for both contingencies and for what you might achieve with heavier investment into systems and processes.

## Anatomy of the ultimate business plan

Once you've worked through the above steps, you should have all the information you need to reconstruct a new business plan that covers these five, integral components:

### 1. The need you're addressing

This section of your business plan combines your vision statement with your stated goals and objectives.

### 2. Target or ideal customers

Businesses solve problems for people. So, who are your ideal customers and has that changed in recent times?

### 3. Your competitors

Your competitors are out there now, undertaking their own plotting and planning. How are you going to take the fight to them? This thinking will help inform any decisions you need to make around branding and go-to-market strategy.

### 4. Financial plan

You've worked over a few different budget scenarios and cost modelling.

Now it's time to synthesise all of this into an incredibly realistic three-year financial plan.

### 5. Distribution channels

How are people going to access your offering? Whether it's through a website, on a digital marketplace (like Etsy or eBay) or a physical store front, figure out when, where and how you're going to sell your products or services. Each option has pros, cons and different costs.

## A closer look at financial plans

The best financial plans cover the following three areas, as well as how these projections will change over three years:

### 1. Startup or new investment costs

You'll find that setting up a business costs a lot, and so too does pivoting a business when significant changes need to be made.

You'll need to figure out your current cost per unit/service, before then projecting what your future costs might be under a changed business model or strategy.

To get a better idea of how much money you might need, don't hesitate to engage a certified and highly recommended business advisor such as an accountant or financial planner. Be clear in terms of what you're hoping they can advise you on, as these different groups

of professionals have different areas of expertise.

### 2. Operating or ongoing costs

These are costs associated with running your business on a day-to-day basis and will include your staff, rental overheads and so on.

It's often tempting to look at these as an area for making cuts and savings but beware of the fact that cutting costs here can sometimes lead to lower revenue as a result of reputational damage to your brand. Further, if they're not handled in a fair and legal manner, cost-cutting exercises can end up in court, thereby defeating the original point of the exercise.

### 3. Revenue projections

The critical part: calculating how much money your business can make.

Consider your revenue per unit/service sold and how this will increase as your business scales and evolves over the years.

Take into account as much data as you're able to pull together when considering your market research and forecasting as discussed earlier in this article.

No matter what business you're in, there are more tough times ahead. But staying ahead of the game doesn't have to be an insurmountable task so long as you take the time to plan regularly and thoroughly. ■



# 2020 FCA Excellence in Franchising Awards

## Enter the FCA Excellence in Franchising Awards 2020

The Franchise Council of Australia's Excellence in Franchising Awards recognise and reward excellence and provide a platform for companies and individuals to showcase the amazing work they are doing in the franchising sector.

These Awards are a fantastic opportunity to promote your business and stand out from the crowd.

## Awards Categories

### Regional Excellence in Franchising Awards

- Multi-Unit Franchisee of the Year
- Single Unit Franchisee of the Year Two or More Staff
- Single Unit Franchisee of the Year Less Than Two Staff
- Franchise Woman of the Year
- Field Manager of the Year
- Franchisee Community Responsibility and Contribution

Regional Excellence in Franchising Awards submissions open from 4 February to 20 April 2020

### MYOB FCA National Excellence in Franchising Awards

- Australian Established Franchisor of the Year
- Australian Emerging Franchisor of the Year
- International Franchisor of the Year
- Excellence in Marketing
- Excellence in International Franchising
- Franchise Innovation
- Franchisor Social Responsibility
- Supplier of the Year

MYOB FCA National Excellence in Franchising Awards submissions open from 30 March to 26 June

To find out more and to enter visit [franchise.org.au/awards](http://franchise.org.au/awards)



*"It means a lot to win an award like this. It's really nice to be recognised for all the hard work that's gone in and to have a moment to reflect and be proud of where I've come."*

**Liz Nable, Xtend Barre Northern Beaches Franchisee and 2019 NSW/ACT and National Franchise Woman of the Year**



*"Winning this Award recognises our franchise partners and all the hard work and millions of hours that's gone into the concept over the last 13 years, and we stand on the shoulders of that."*

**Giro Maurici, CEO and Founder of 2019 Australian Established Franchisor of the Year, San Churro**

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Everyone knows that lotteries are entertaining games of chance, but the Lott leaves nothing to chance when it comes to ensuring its retailers benefit from its wide portfolio of games.

The Lott, Australia's official lotteries, is home to Australia's favourite lottery games – from high-soaring jackpot games, to the much-loved weekday draws and the fun add-on games – there is a game to suit all players and profiles.

Offering a wide variety of games is something that plays heavily into the Lott's retail strategy. According to the Lott General Manager Lotteries Retail, Antony Moore, ensuring the Lott provides enticing jackpots and regular chances to win is the best way to support its franchisees and drives strong outlet foot traffic.

"The sign of a strong lottery business is to have the whole portfolio of lottery games appealing to our players," he said.

"With games like Powerball and Oz Lotto we see big multimillion-dollar jackpots, which brings additional foot traffic into outlets and entices regular, new and infrequent players to dream of a life-changing win.

"However, we need to be careful to manage our other games to ensure that the focus on the larger jackpots doesn't detract from our popular, long-standing games of Saturday Lotto, and Instant Scratch-Its tickets.

"There are several strategies we put in place to ensure we actively manage a wide range of games and still provide customers with enticing offers and the chance to win big.

"One of these strategies is the active management of our portfolio by adjusting jackpot levels where necessary to either ramp up or slow down the offer to complement other games."

Mr Moore said a recent example of this active management occurred in December 2019 in the lead up to the Lott's Saturday Lotto \$30 million Megadraw, the largest Lotto draw of the year.

"The nature of jackpotting games means we can't control what jackpot level they will reach as it depends on how often the game is won," he explained.

"In December, we saw Oz Lotto and Powerball were jackpotting at the same time and their jackpot levels, if not won, would exceed \$30 million in the week of the Megadraw.

"We know that some of our players don't discriminate between games and simply buy the biggest offer available, therefore it was important to us to ensure the \$30 million offer held interest to all players.

"To ensure that the Oz Lotto and Powerball jackpots were not cannibalising sales into this draw, we slowed their jackpot rolls down to ensure they were both below \$30 million for the week leading up to Megadraw."

Mr Moore added that another strategy the Lott implemented to ensure balance across the portfolio was the management and planning of marketing campaigns that aligned and complemented other offers in market.

"With a variety of products available across our portfolio, we have to be mindful not only of the potential cannibalism of sales, but also the great opportunities we have to cross-sell and up-sell our products," he explained.

"This is why we have developed add-on games, such as Super 66 and Lotto Strike, which can only be played when purchased with other games.



"These add-on games provide our players an extra chance to win big while providing our retailers a chance to up-sell for a bigger basket size."

When it comes to the implementation of this strategy at a store promotional level, Mr Moore explained a dedicated point-of-sale (POS) plan helped retailers make the best of available assets.

"We have so many offers for our customers with our variety of games, but many of our retailers have competing display space in their outlets. That's why we employed a POS planning system that provides guidance to our outlets to help them draw sales from customers," he said.

"Before implementing our planner, we conducted significant market research to understand not only what our customers want, but also what would be easy and efficient for our retailers.

"This research helped us to devise a set of rules to ensure we display the appropriate jackpot amount or campaign at the right time throughout the week.

"For our retailers who have digital POS screens, we ensure that these assets are updated regularly to mimic the poster-based POS plan, and feature eye-catching and animated graphics that highlight our offers for players."

Mr Moore also shared that the Lott regularly re-visited each game and what it offered.

"We regularly review our games to see what is working for our players and looking at trends throughout the years," he explained.

"From these regular reviews, we can see if a game that has lost its popularity still has a place in our portfolio, or how we can improve our games to make them more enticing for players.

"A key example of this is the restructure to the Powerball game in 2018. Players told us that they wanted to see bigger jackpots and the chance to win any prize more often.

"After extensive research and planning, and in consultation with our regulators and government officials, it was decided

the game mechanic of Powerball would change.

"This led the division one prize becoming more challenging to win, which drives bigger jackpots, we also added another winning division to allow players to take home more prizes more often.

"Changes like this also impact our retailers, which is why we regularly consult with them and our industry partners to ensure that they are equally as excited about the changes as our customers." ■

With a network of more than 3,800 outlets across all Australian states and territories, except Western Australia, the Lott is the nation's largest retail franchise network.

The Lott offers Australia's official lottery games from NSW Lotteries, Golden Casket, Tatts and SA Lotteries. This includes games like Saturday Lotto, Monday & Wednesday Lotto, Oz Lotto, Powerball and Instant Scratch-Its, which give customers the chance to dream big every day.

Franchisees with the Lott include a range of small businesses, including newsagencies, convenience stores, convenience supermarkets, pharmacies, and tobacconists.

Last financial year, more than 131.8 million winners took home more than \$3.3 billion in prize money from their favourite games at the Lott, including Saturday Lotto, Monday and Wednesday Lotto, Powerball, Oz Lotto, Set for Life, Lucky Lotteries, Keno, Super 66, Lotto Strike and Instant Scratch-Its.

In the 12 months to 30 June 2019, Australia's Official Lotteries contributed more than \$1.4 billion via state lottery taxes and donations to help community initiatives, such as hospitals, health research, disaster relief and education.



# Expanded 'Whistleblower Protections' are now law Are you compliant?



As of 1 January 2020, public companies, and 'large proprietary companies' are required to create and implement a 'whistleblower policy' that complies with the Corporations Act.

The expanded coverage of the legislation is in part a response to the release of the findings of the Hayne Royal Commission into the Banking, Superannuation and Finance sector. The new laws will impose significant new obligations on a much wider range of businesses than previously covered. Many franchisors and franchisees will now be covered by the new laws.

## Key features

The key features of this legislation are as follows:

- A requirement that public and larger propriety companies (see below) must have a whistleblower policy or face penalties;
- Expansion of eligible whistleblowers to include both current and former employees (plus others);
- Expanded categories of whistleblower disclosures that will be protected, including disclosures about "misconduct" and "an improper state of affairs or circumstances";
- A requirement to maintain the anonymity of the whistleblower;
- Reversal of burden of proof;
- Expansion of available remedies;
- Personal "work-related grievances" will be excluded from the protection.

## Mandatory implementation of whistleblower policy by 'larger' companies

A 'large proprietary company' will include any business which satisfies two of the following three conditions –

1. annual revenue of \$50 million or more;
2. gross assets of \$25 million;
3. the company and entities it controls, has 100 or more employees.

## The whistleblower policy must contain the following as a minimum

- the protections available to whistleblowers;
- how and to whom an individual can make a disclosure;
- how the company will support and protect whistleblowers;
- how investigations into a disclosure will proceed;
- how the company will ensure fair treatment of employees who are mentioned in whistleblower disclosures; and
- how the policy will be made available.

## Expansion of eligible whistleblowers and recipients of disclosures

The new Act has expanded the list of eligible whistleblowers to include former officers, directors, employees, associates, suppliers, and their relatives. Listed recipients of disclosure by a whistleblower has been expanded to include senior managers, auditors, actuaries or regulators such as ASIC or APRA.

## Expansion of disclosable matters and the objective test

The new Act includes disclosures of 'misconduct or improper state of affairs or circumstances' to be protected by the provisions. The whistleblower may also disclose matters contravening the Corporations Act, Banking & Finance legislation and any Federal offence which carries a penalty of 12 or more months imprisonment.

If the whistleblower 'reasonably suspects' there has been misconduct or contravention by the company, then their disclosure will be protected. The former 'good faith' disclosure requirement was repealed.

## Confidentiality and anonymity

The new Act requires the identity of the whistleblower to be kept in the strictest confidence and to permit them to remain anonymous if they wish. Any breaches of these requirements may result in severe civil and/or criminal penalties.

## Reversal of the burden of proof

The new Act will reverse the burden of proof in compensation claims once a claimant has adduced or pointed to evidence that suggests a reasonable possibility that the defendant has engaged in conduct that caused detriment to the claimant.

## What are the penalties?

The penalties for breaching the new obligations are substantial and depending on the breach involved can range from a fine of \$6,200 and imprisonment of 6 months or both, to a fine of \$25,200 and imprisonment of 2 years or both.

A Court may also order pecuniary penalty for breach of confidentiality of the whistleblower's identity or victimisation or threatened victimisation of whistleblower – maximum amount \$200,000 for an individual or \$1 million for a body corporate. Higher penalties may apply under related legislation e.g. under the Taxation Administration Act 1953 the victimisation penalty is 2 years imprisonment or a penalty of \$50,400 or both.

The Courts can also issue new remedies in cases of breaches including awarding compensation, issuing injunctions, ordering apologies and reinstatement of employees. ■

## ER Strategies can help

ER Strategies already assists a number of clients with the provision of Employee Helpline and Whistleblower services so we are well placed to assist employers with this service. If you have any questions relating to this new law or employee relations issues, please do not hesitate to contact ER Strategies on 1300 55 66 37.



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# Don't put your business at risk

## Looking back at 2019



### 2494 ADVICE CALLS

That means 9.5 Franchisees were helped each working day with practical advice.



### 293 PAYROLL COMPLIANCE AUDITS

This means on average, every working day we audited a franchisee to assist them in their employment compliance.



### 1287 CONSULTING PROJECTS COMPLETED

From assistance with employment contracts and policy reviews, to employee disputes and enterprise bargaining ERS has assisted 4.9 franchisors and franchisees a day.



### 270 TRAINING UPDATES

We have educated more than one franchisee a day throughout the year through formal learning with our face-to-face training and online training.

[erstrategies.com.au](https://erstrategies.com.au)

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By Lucia Halliburton

Senior Manager,  
Development & Innovation,  
AMES Australia

# Why diversity is good for business

When one of Australia's big telecom firms needed a large number of analysts at short notice for an urgent innovation program, it struggled to find the necessary brainpower locally.

A senior manager at the company asked newly recruited Indian migrant and IT engineer Sandeep Chowk if he could help.

Sandeep, a former student at my organisation AMES Australia, was able to put him in touch with a company in Bangalore which could provide access to up to 2000 analysts immediately.

Sandeep's story is just one piece of a mounting body evidence that more diverse organisations achieve better performance.

For most of the world's most successful businesses, having a diverse workforce is now part of their strategic plan because they know the benefits of such inclusivity are immediate and tangible.

## What is diversity?

A diverse workforce employs people from different backgrounds – different races, religions, ages, genders and abilities. This concept applies equally to the composition of a franchise system's network of franchisees.

What you get with a diverse workforce, or network of franchisees, are people who view the world differently, and who apply their personal experiences and knowledge to contribute unique perspectives to solving problems, accessing new markets and shaping an organisation for the better.

## Global impact

We live in a time of global markets and unprecedented connectedness. There are currently more than 270 million migrants in the world who make up 3.5 per cent of the global population. Collectively, they remit almost \$US7 billion home each year.

So, having a diverse workforce or network of franchise partners gives you a global perspective and the means to access diverse markets both at home and overseas.

For franchise systems looking to get the jump on their competitors with the next trend, flavour or innovation to hit the Australian marketplace, drawing on the knowledge and ideas of a diverse group of franchisees could be a good place to start.

In my organisation, we see the value every day of having people who have intimate knowledge diverse groups of people and the ability to communicate with and understand the needs of these communities.

Employees of differing cultures, abilities, creeds and experiences make a big difference; giving an organisation a true global perspective, rich with nuanced understandings of human experience and culture.

In my own work, I find myself challenging my own long held assumptions about graphic design concepts, colour choices and frequently call on my colleagues (more than 65 per cent were born outside of Australia and are multilingual) about their opinions of fonts selected, colours to use or word choices that will withstand translation to other languages.



A recent United Nations report said that the globalisation of business operations and the increasing inter-connectedness of people around the world meant business had a stake in the state of cross-cultural relations.

The report, 'Doing Business in a Multicultural World: Challenges and Opportunities', said that to be successful in an inter-connected world, "businesses of all sizes in all countries must be able to compete effectively in diverse, multicultural environments". The study says the ability to manage diversity is increasingly recognised by companies as a business imperative.

### An ideas incubator

It's my experience that if you put people with differing experiences and views of the world into a room, they'll come out with better ideas than if you entrust the solution to a problem to group a group of people from the same background.

When colleagues of different backgrounds, cultures, nationalities, religions or perspectives come together, you get different approaches to the problem at hand. And that can be a great driver of success.

A study by McKinsey in the US found that companies with diverse boards have a 95 per cent higher return on equity than do those with homogeneous boards.

And diversity among franchisees and employees better connects an organisation to its customers who, after all, are also diverse.

### Increased creativity and productivity

In a similar vein, diversity boosts creativity. If you only recruit franchisees from similar cultures, perspectives, and

socioeconomic circumstances, then you're limiting your creativity and innovation. Conversely, franchisees from diverse backgrounds will bring diverse solutions to achieve common goals.

The more diverse your franchise network, the more diverse your brainstorming, the more diverse your solutions and the more diversely productive your team.

Research published recently in the Harvard Business Review found that in homogeneous groups, natural cognitive diversity is stifled by the pressure to conform. Basically, people want to fit in so they are cautious about suggesting radical ideas.

"The more diverse your franchise network, the more diverse your brainstorming, the more diverse your solutions and the more diversely productive your team."

Also, a diverse workplace or franchise network increases people's feelings of being included, regardless of where they're from of what their background or status.

This inclusiveness helps break down barriers and reduces the fear of being rejected, not only for who people are but also for the ideas they voice.

Over the last twelve months my team and our clients have worked closely with a large retail organisation keen to support and promote cultural diversity, across a range of initiatives. This has included supporting international students' health and wellbeing, and capacity building refugees and migrants in their preparation for employment. An unexpected result of this partnership has been the phenomenon of their staff increasingly feeling comfortable to share their own migration and refugee experiences with

their peers and creation of authentic engagement and celebration of diversity in the workplace well after Harmony Day or Refugee Week experiences.

Stanford University researchers looking at decision making in Silicon Valley saw decision making improve by 60 per cent when teams felt included. Another Deloitte study found innovation increased by 83 per cent when employees felt included.

### Staff acquisition and retention

As many countries around the world, including Australia, continue to become more multicultural, increasing numbers of people are listing diversity as a factor in deciding where they want work. So, it follows logically that employers with diverse work forces will attract the best talent.

A survey by PwC in 2017 in the UK found that 54 per cent of women and 45 per cent of men researched a company's diversity and inclusion policies before accepting an employment offer. Also, 61 per cent of women and 48 per cent of men also specifically considered the diversity of those same companies' leadership teams. Unsurprisingly, those rise when looking at responses from minority group members.

The same report also says that poor performance on diversity and inclusion represents a reputational risk for organisations.

Failing on the inclusion front can mean that apart from deterring some of the best talent, you also put off customers and open yourself up to difficult questions from investors and stakeholders, as well as missing out on the diverse range of experiences and perspectives that could help to set your organisation apart from the competition.

### About AMES Australia

Australian Migrant Education Services (AMES Australia) has worked with refugees and migrants for more than 65 years – growing from our beginnings in teaching English to newly arrived migrants in the 50s to who we are today – a leading provider of comprehensive settlement services for migrants and refugees.

AMES Australia provides programs across humanitarian settlement, education and vocational training, employment, skilled migration pathways and social participation programs that help clients settle faster and better to achieve social and economic participation.

More information: [www.ames.net.au](http://www.ames.net.au)



## Embracing diversity and multiculturalism in a franchise system

Thousands of new Australians and their families have been part of the 7-Eleven Australia franchise network since the company franchised its first store in 1978.

This diversity benefits both the organisation and its franchisees, according to General Manager Retail Operations Braeden Lord.

"Approximately 500 of our 700-plus stores are franchised to about 400 franchisees. In this group alone, we have people from approximately 21 nationalities. While we don't have exact data, the diversity in our support office, field teams and the total store team member group further enhances the range of experiences and backgrounds provided by the franchisee network," Mr Lord said.

Mr Lord said that while the organisation is proud of the support provided to its franchisee network, the business has benefited from the diversity of its franchisees.

"Our franchisees add incredible value to not only their own businesses but our company overall. They lead their teams to deliver an exceptional offer to customers. They are part of the communities they serve and are the face

of 7-Eleven in every local store," he said.

"The cultures represented in our franchisee network have evolved as the patterns of migration have changed over the last 40 years. What remains constant is why franchising and the 7-Eleven offer works for our franchisees and their families. Namely the full service support we provide which includes extensive business coaching as well taking care of site selection, leasing, refurbishments, marketing, accounts, equipment, maintenance and technology among other things."

"The diversity of our people's backgrounds combined with comfort of a successful business model often means decision makers in our business are challenged with how to grow and learn from all involved. How do we harness the network's diverse talents to improve and encourage each other? It supports a continual evolution of the business as well as maximising growth," Mr Lord said.

Given that 7-Eleven is a business that has had multiculturalism as part of its foundations for more than 40 years, it seems an obvious synergy that one of its pillar community partners is the Australian Migrant Education Services (AMES Australia).

7-Eleven's partnership provides significant financial support to a number of key programs as well as providing opportunities for employees to engage in skilled volunteering and mentoring. More than 370 students have already

benefited from the partnership through the mutual transfer of expertise, skills and connections.

In addition to corporate financial support and matched workplace giving, 7-Eleven team members volunteer in the Skilled Professional Migrants Program. Other AMES program participants visit the 7-Eleven Support Office where they network, learn about employment options and how Australian office workplaces operate. These volunteering opportunities have been supported throughout the entire business with senior leaders, board members, and a range of team members participating.

Mr Lord said that the volunteering opportunities with AMES have much in common with the offer for 7-Eleven's franchisees.

"A significant number of our franchisees are highly educated, and many are experienced in business. They are well positioned for success. What they need is support running a business in a country where they are less familiar with the consumer, business processes and requirements.

"In our volunteering work our team members have been able to help AMES clients better understand Australian workplaces and job seeking processes. That understanding helps them to secure a job, and supports them to provide their unique contribution to our community. We're so proud to assist AMES in the work they do," he concluded. ■





# Learn how to build a better business

The WA State Franchise Conference (WAFranCon2020), is back and is shaping up to be even bigger and better than 2019's hugely successful event.

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**Building Better Businesses** is the theme for 2020 – reflecting a common and enduring objective for us all. The task of building a strong, successful and resilient business is one we all face, and we all know that we benefit from external input from time to time.

Join the WA franchise community to hear high-profile franchise leaders and key business innovators share their vital lessons and current strategies for building better businesses, improving team dynamics, driving sales and marketing, increasing profitability and identifying and

capitalising on opportunities to grow into this exciting new decade.

With a program focussed on delivering strong business outcomes, whether you're a franchisor or franchisee, or a supplier or advisor to the sector, WAFranCon2020 will provide you with the ideas and inspiration to improve your business.

More than 150 franchise professionals attended last year's WA State Conference, giving it rave reviews.

To book your ticket, visit [www.franchise.org.au](http://www.franchise.org.au)

## What they said about last year's conference

"The state conference was a great day to listen and share ideas with like-minded people in the franchising industry. It gave insights as to what we are doing right and what areas we could possibly improve on in our business. Overall, a great networking event."

**Sarah Smith**  
Area Manager, Bakers Delight

"Thank you for organising this event. I would love to return next year!"

**Sandrine Leven**  
Co-Founder, Zubias Threading

"The FCA's WA State Conference was an enjoyable and informative day when I made many new connections. Well worth attending."

**Graham Downs**  
Franchisee, Just Cuts  
Principal, Franchise Business Centre and Owner, Downs Accounting



The bushfires that spread across large areas of Australia at the start of the year devastated countless individuals, communities and businesses. The franchise sector generously showed its support for bushfire relief efforts, raising money and donating goods and services to assist those affected by the fires.



## Franchise sector rallies behind bushfire relief efforts



**Muffin Break's** commitment to donate \$1 for every lamington product sold during January raised more than \$65,000 to support the Australian Wildlife Rescue Organisation (WIRES) in rescuing and caring for the innocent animals caught in fire-devastated areas. Sales of 21,297 lamington products during January were matched with a dollar for dollar donation from Muffin Break's parent company, Foodco, with more than \$12,000 raised from in-store donation boxes and a further \$10,000 donated by

Muffin Break's partner, Darrell Lea. Muffin Break franchisees too held their own fundraiser events, with Muffin Break Bendigo raising \$1000 for the Victorian CFA and Muffin Break Warnbro holding a themed cookie decorating workshop during January to raise awareness and collect donations for WIRES. Additionally, a member of Muffin Break's Victorian Operations team, Tim Walsh, is a volunteer firefighter who was part of the strike unit fighting the East Gippsland fire.



**Jamaica Blue** also raised \$13,003 by donating 50 cents from every coffee sold on 8 January, with parent company Foodco also matching the amount, to support Australian Red Cross disaster relief efforts.

**Foodco's** fundraising efforts resulted in more than \$90,000 being raised for charity.

**Gelatissimo** raised almost \$50,000 for the St Vinnies Bushfire Appeal by donating \$1 from every scoop sold on 18 January across their 48 stores and committed a further \$50,000 to support Vinnies Australia in assisting communities to recover and rebuild.

**Chatime** and its franchisees have made a \$50,000 donation to the Australian Red Cross. In addition, until 31 March, Chatime will be running a 'Round It Up' program across its 124 T-Breweries across the country, allowing customers to round up purchases to the nearest dollar with every cent donated will go directly to the Red Cross to aid the people and the communities impacted by the crisis.

**Fergusson Plarre** have created a Gingerbread Firefighter to support the Victorian Bushfire Appeal. All proceeds of from sales of the Gingerbread Firefighters are being donated to the Victorian Bushfire Appeal, with more than \$29,000 being raised by the end of January.



**Specsavers** committed to donate \$100,000 from sales in January to support Australian bushfire relief through the NSW Rural Fire Service, Victorian Bushfire Relief Appeal, SA State Emergency Relief Fund and the Salvation Army Disaster Appeal.

The Tabcorp Group, through FCA member **The Lott**, raised \$1.8 million towards bushfire recovery and relief efforts through their Saturday Lotto Bushfire Benefit Draw on 25 January.

FCA members including **McGrath Estate Agents, Ray White, RE/MAX Australia and Harcourts Australia** came together as part of the Beyond the Bricks real estate industry initiative to support bushfire affected communities, raising more than \$1 million through the campaign.

**La Porchetta** raised \$9765 for the Victorian Bushfire appeal through donating \$1 from every pizza sold on 11-12 January.

**Helloworld** donated 10 truckloads of hay (2000 bales) and 575,000 litres of water through the Buy a Bale charity, helping farmers impacted by the drought and bushfires.

**Nando's** committed \$50,000 to Foodbank Australia to help provide food and groceries to those who urgently needed them.

**BNI Foundation Australia** fundraised to support families with children affected

by the bushfires, receiving donations from 10 different countries. The franchise has provided grants to families to help acquire children's clothes, uniforms, shoes and school supplies so they can get back to school with the essentials.

**McDonald's Australia** have supported the bushfire appeal by: donating \$500,000 to the Australian Red Cross Disaster Relief and Recovery Fund, and matching employee donations; implementing in-restaurant donations; and providing free meals and bottled water to firefighters and community members in impacted areas.

**Red Rooster** franchise partners across Australia donated \$38,868 to bushfire relief, with the brand adding \$50,000 for a total donation of \$88,868 to allow Foodbank and Red Rooster to provide almost 180,000 meals, around 18 tonnes of groceries or almost 3000 emergency hampers to those in need.

**Bakers Delight** raised more than \$225,000 to support those affected by the bushfires through initiatives including: donating \$1 from every 6-Pack of Hot Cross Buns sold to the Australian Red Cross Disaster Relief and Recovery Fund from 16-29 January, matched dollar-for-dollar from head office. Bakers Delight also provided bread and snacks to firefighters, volunteers, evacuees and animals in affected areas and donated bread to bushfire relief fundraising events.

**PACK & SEND** made a donation of \$10,000 to the Vinnies Bushfire Appeal and further donations have been made by PACK & SEND franchisee partners.

**Quest Apartment Hotels** donated of \$10,000 to bushfire relief and established a GoFundMe page to encourage further donations from franchisees, suppliers and other stakeholders.

**JAX Tyres** customers and store teams around the country helped to raise more than \$75,000 for the Red Cross Disaster Relief and Recovery Fund in January through donations from tyre sales.

**7-Eleven** committed \$250,000 to support bushfire relief efforts, allocating this money to the bushfire relief efforts in NSW and Victoria, and for wildlife rescue and rehabilitation across both states.

**Aussie Pooch Mobile Dog Wash** donated a bulk quantity of blankets and toys to the Rescue Collective, while Aussie Pooch Mobile groomers washed fire victims' dogs free of charge, donated money and helped out in any other way they could.

**Battery World** donated to the Australian Red Cross Bushfire Disaster and Recovery Relief initiative to support local communities as well as delivering 5000 AA batteries, 5000 AAA batteries and 1000 9V Blocklite torches to be distributed to those impacted by the fires. ■

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# Maintaining a strong business reputation: Defamation of business

By **Katarina Klaric**

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A strong business reputation of franchise businesses, their management team and staff is crucial in today's online and social media environment.

Maintaining a good online business reputation assists a franchise in:

- Maintaining and attracting new customers and business opportunities,
- Retaining staff and franchisees and attracting new staff and franchisees,
- Increasing market share and growing the franchise network,
- Maintaining existing relationships with suppliers and other stakeholders,
- Being recognised by the public for delivery of quality and reliable goods and services,
- Being recognised as a good trustworthy corporate citizen.

All of these affect the bottom line of franchise businesses.

Digital platforms like Google, Bing, Yahoo, Facebook, Twitter and Instagram have allowed franchises to extend their marketing reach, building brand awareness with targeted consumers. However, these platforms also provide a forum for users to publish and

disseminate reviews, comments and other content that may be false and defamatory of businesses and individuals, causing devastating harm both to business and personal reputation and business losses.

Sometimes the false and defamatory material is posted by competitors, disgruntled customers or staff, consumer advocates and even random individuals making anonymous posts and using fake names. Some content is of such an extreme nature that it has been described by the court as being "generally without any basis and not driven by mere malice but some internet "road rage".

## Strategies for risk management and damage control

A strong online presence is an essential element of modern business. Digital and social media platforms provide franchise businesses with opportunities to expand their business and to consolidate their market share. However, they can also present a significant risk to business reputation through publication of false and defamatory material online.

No one is immune from the publication of false and defamatory content that can have a significant impact on personal and business reputation. Be prepared to deal with the risks and have strategies to minimise the damage to your business reputation:

- Ensure that your business risk management plan includes strategies to manage the publication of false and defamatory content,
- Review your insurance policies to ensure that they include the costs of dealing with defamation, injurious falsehood and/or contravention of the Australian Consumer Law and protecting your brand and reputation,
- Have training and compliance programs for your staff, review procedures for material before publication and systems for monitoring your online trading environment,
- Continually monitor online content for false and defamatory reviews and content about your franchise business, executive team and staff,
- Act promptly to have false and defamatory content removed from online digital platforms, social media and websites,
- Seek legal advice and if necessary take court action for the removal of the content and damages.

## Remedies for online reputational damage

Franchise businesses and their staff who are subjected to false and defamatory online reviews and posts may be able to take legal proceedings for:

### Defamation

Companies employing less than 10 full time employees, and individuals, may have a cause of action for defamation.

A defamed franchise business and any persons associated with the business can claim compensation for non-economic loss and also for any economic loss suffered by reason of the publication of the defamatory content. They can also seek an injunction for immediate removal of the false and defamatory content from the online platform and to prevent further publication and damages for reputational damage and economic loss suffered. Where the identity of the person posting the false and defamatory content is not known, an injunction can be sought against the owner of the online platform publishing the content to take down the offending material.

Recent cases awarding damages for online defamation serve as a warning to all using online digital platforms that care must be undertaken to ensure that that there is a factual basis for what is published and that the material is not false and defamatory.

### Injurious falsehood

A company employing more than 10 full time employees may be able to take action for injurious falsehood, also called malicious falsehood or trade libel.

For a company or individual to succeed in a claim for injurious falsehood of false online publications it must establish that:

- the defendant has made a false statement concerning the company or individual's property or business or goods,
- the false statement was published maliciously, and
- the false publication has injured the company's or individual's business or goods and has caused them to suffer "actual damage".

### Australian Consumer Law

Franchise businesses or persons can also take court proceedings claiming injunctive relief, an apology and correction and damages under the Australian Consumer Law against those involved in publication or dissemination of misleading material or false representations about another business or the supply, marketing and promotion of goods or services<sup>3</sup>.

Businesses or persons involved in online commerce are also at risk of legal action being taken against them by other parties including the ACCC and the State Fair Trading Offices, (which regulate the Australian Consumer Law), if they are involved in making false or misleading claims about their own goods or services or the goods or services of their competitors. ■

## Recent case study examples

**Cables v Winchester [2018] VSC 392**  
[Victorian Supreme Court  
20 July 2018]

Ms Cables, a prominent businesswoman in Albury and co-owner of six McDonalds restaurants employing about 500 people, was awarded \$200,000 damages including aggravated damages in respect of defamatory posts published on Facebook page titled 'Everything Albury Wodonga'<sup>4</sup>.

The Facebook page was published for a period of three days to at least 9510 people who liked the page and 9477 people who followed the page, before it was taken down<sup>5</sup>.

The court considered the nature of the defamation to be severe and the consequences to be significant. Ms Cables sustained severe damage to her professional reputation and her mental health and wellbeing were affected<sup>6</sup>.

The court considered that her case warranted an award of aggravated damages because the court considered that there was a degree of malice in the motivation for the publications and the defendant had failed to provide an apology and retraction. The defendant was the partner of an employee who worked at one of Ms Cables' McDonald's stores who had come home from work upset<sup>7</sup>.

**Cheng v Lok [2020] SASC 14 SASC 14** [South Australian Supreme Court – 6 February 2020]

Mr Cheng, a South Australian based lawyer was awarded damages for reputational damage and economic loss and loss of goodwill in the sum of \$750,000 for highly defamatory reviews published by the defendant on "Google My Business", which resulted in significant reputational damage and economic loss with about 80 per cent of his clients leaving his legal practice. Mr Cheng had never met or had any dealings with the individual who published the defamatory review.

<sup>1</sup>Rothe v Scott (No4) [2016] NSWDC 160, Gibson DCJ at para. 140.

<sup>2</sup>Palmer Bruyn & Parker Pty Ltd v Parsons (2001) 208 CLR 388; DHR International Inc v Challis [2015] NSWSC 1567 at [31] – [33].

<sup>3</sup>Sections 18, 232 and 236 Competition and Consumer Act 2010 (Cth) Schedule 2.

<sup>4</sup>[2018] VSC 392 at [1], [4] and [79].

<sup>5</sup>[2018] VSC 392 at [27].

<sup>6</sup>[2018] VSC 392 at [74].

<sup>7</sup>[2018] VSC 392 at [77].



A man with dark hair, wearing a black t-shirt and a grey apron with the 'Chatime' logo, is smiling broadly while holding a red cup with both hands. He is in a kitchen or food service area, with a menu board visible in the background.

# Don't work in a business Run a business instead

Working on his business rather than just working in it has been a key to success for Chatime multi-unit franchisee Soon Khoo.

"Why work in the business when someone else can do it at \$30 per hour, while the franchisee can focus on higher value activities in driving bottom line?" Soon told The Franchise Review.

It's a philosophy that has resulted in rapid success, with Soon purchasing his first franchise unit in 2017 and growing the business to become the Managing Director of three Chatime franchise units at Carousel, Waterford and Willetton in less than three years.

Freshly graduated from University in 2014, Soon dreamed of owning a franchise business and with it having the flexibility of working from anywhere in the world with just a laptop and internet connection, along with a robust franchise model.

The opportunity to realise his dream presented itself in August 2017, when he saw the potential in a Chatime franchise

that had come up for sale. Without any hesitation, Soon and his business partner, Ming, commenced negotiations with the seller and began their franchise journey.

"The main reason why I wanted to join a franchise system is because I knew nothing about running a business on my own," Soon said.

"Being a qualified engineer, I learned not to reinvent the wheel but to improve and innovate on what is already a successful model, and that is exactly what I have been doing. Chatime has a robust business model with a clear vision on where they want to be in five years. So my philosophy is: why don't we just utilise the system and build onto it? This became the most fundamental strategy have used on the business to date."

Since starting his Chatime franchise, Soon and his team have achieved double digit Like for Like (LFL) sales annually and

have tripled their business revenue since taking over Chatime in Westfield Carousel, Western Australia.

Now with three Chatime franchises on their books, Soon and his business partners have further plans to scale up their business interests in the near future.

It's success that has been recognised within the Chatime network with Soon and the team named Chatime's Franchise Partner of the Year in 2018 and 2020, as well as winning the top customer service Award in 2020 across Chatime's network of 124 franchise stores Australia-wide. Outside the network, Soon and the team have also been recognised as the winners of the FCA's Single-Unit WA Franchisee of the Year, two or more staff in 2019 Award.

"These achievements and awards are recognition that the team has a clear strategy built together with the franchisor from day one to follow through. The

team believes in the strategy and works tremendously hard in driving it within the business. A strategy is key as it is the road to achieving your end goal and overcoming obstacles to succeed on the journey."

For Soon, a big part of this is trusting in and delivering through others, which has enabled him to run a business as compared to working in a business.

"From day one, I knew for a fact that I would need to rely on others in order to succeed in a business, which includes having a great franchise system and also having a team internally with full accountability, which is the recipe to driving key outcomes for the business. In short, I fully trust my team to deliver and I do not micro-manage as I believe there is more than one way to skin a cat as long as the results are aligned with the strategy and in compliance.

"At the start, I told my store manager, when I'm working with you at the store, I

will take your instruction and please treat me like a staff member, not as the owner - It took a while but eventually I was treated like a staff member, because I wanted to be replaceable! I'm not running a business at \$30 per hour but I value myself to be generating much more for the team.

"A lot of times I have seen business owners working 50-60 hours a week in their store and so often I hear complaints around such as I'm not going to think about it after I finish work today, it can wait for another day, I'm too tired to solve this issue now, I'll think about it when I'm ready, and so on.

"The examples provided, from my perspective, are working for a business for a fixed monthly salary and not actually running the business. Running a business should never have any backlog or playing catch-ups, because this prohibits planning and your head is always buried in the sand.

"These achievements and awards are recognition that the team has a clear strategy built together with the franchisor from day one to follow through."

"To run a business efficiently, we need to be able to stay relevant, stay on top of the game and review what is happening in the next month, next quarter and even next year. My team normally have a one-year business plan and a marketing strategy built two-to-three months before the new financial year has commenced, with input and alignment from the franchisor. This allows us to understand what the theme is this year and what we as a team are working towards," Soon said.

A few key activities Soon emphasised as important for business owners to set themselves up for ongoing success include:

- Knowing how the business has performed in the past month and what is expected in the current and coming months;
- Setting a focussed theme for each quarter (We can't solve world hunger, but we can slowly improve things); and
- Review the key issues in the past month and look at how to incorporate the learnings.

"I'm also very fortunate in having an amazing leadership team, which has grown significantly since I started back in 2017 and is currently sitting at a total of eight, including myself. Having a team with clear roles and responsibilities helps us stay on top and drives the strategy to fruition, without the need to always be playing catch up," Soon said.

"In many people's perspective, it may create a financial burden, but the question I would like to ask most is, what's stopping your business from growing if you are firefighting everything?" Soon asked.

For Soon, the importance of having a leadership team within the business and then trusting them to deliver and drive the strategy on behalf of the business cannot be underestimated.

"It is never about just me, but all the people who are supporting and driving the business in making this possible," Soon said. ■



# Upcoming FCA Events

The Franchise Council of Australia holds numerous breakfasts, roundtables and education sessions across Australia. As a member of the FCA, you are entitled to attend some of these events free of charge, and some at member-only prices.

## New South Wales

<b>20 MARCH</b>	Franchisee Success Summit (in partnership with the Franchising and Business Opportunities Expo)
<b>1 MAY</b>	Women in Franchising High Tea
<b>4 JUNE</b>	Afternoon Tea

## Queensland

<b>7 APRIL</b>	Breakfast - 2020: Learnings, trends and strategies from overseas
<b>5 MAY</b>	Coffee Catch-Up

## South Australia

<b>6 MAY</b>	Women in Franchising Breakfast
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## Victoria

<b>25 MARCH</b>	Coffee Catch-Up
<b>13 MAY</b>	Breakfast Event
<b>3 JUNE</b>	Coffee Catch-Up
<b>4 JUNE</b>	Women in Franchising Event

## Western Australia

<b>10 MARCH</b>	WA Sundowner
<b>2 APRIL</b>	Coffee Catch-Up
<b>4 MAY</b>	WA State Franchise Conference
<b>4 JUNE</b>	Coffee Catch-Up

## National

<b>4 AUGUST</b>	Multi Unit Summit (Sydney)
<b>18-20 OCTOBER</b>	National Franchise Convention (Melbourne)
<b>20 OCTOBER</b>	MYOB FCA Excellence in Franchising Awards Gala Dinner (Melbourne)

Events held by and in conjunction with the Franchise Council of Australia are designed to be informative and educational, along with providing ample networking opportunities. Meet franchisors, management staff and experts in the sector to discuss issues relevant to your brand and your career.

\*NB - Dates subject to change. Breakfasts, forums, roundtables and education courses are being added to the national calendar all the time. To see the most up-to-date version of the calendar and register for events, go to [www.franchise.org.au/state-chapter-events/](http://www.franchise.org.au/state-chapter-events/)

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