# CONTENTS

**Franchising** .............................. 3  
  Introduction .................................. 3  
  Decisions, Decisions! ......................... 3  
  What is a franchise agreement? ............ 3  
  Franchise Case Studies - Jims Mowing .... 4  
  Franchise Case Studies - Bakers Delight. 4  
  Weighing up the pros and cons .......... 5  
  To be or not to be a Franchisee? ......... 5  
  Using Franchising as a means of expansion 6  
  Franchising - what else is involved? .... 7  
  Going with the Franchising decision .... 7  
  References and further reading ........ 8  

**Reinventing Healthcare: An Industry Ripe for more ‘disruption’** .......... 9  
  Reinventing Healthcare in Australia .... 9  
  Digital Health: Telemedicine & Video Consultation .................. 10  
  A Global Perspective: Technology Sector Investment In Healthcare .... 10  
  What is Google doing? ...................... 10  
  Smartphones Apps and Healthcare ........ 11  
  Wearables and Wellness: Fitbit Case Study .... 12  
  DIY Doctors: Are we ready to be treated by robots rather than doctors? 12
Introduction

This article encourages students of business to think about business decision making and planning with a focus on franchising. It addresses advantages and disadvantages of becoming a franchisee and a franchisor, looks at two case studies: Jim’s Mowing and Bakers Delight, and provides information about getting into a franchise agreement. All with a view to the importance of business planning.

Decisions, Decisions!

Starting a business involves a number of important decisions, most importantly the one you make to actually become an entrepreneur in the first place.

Next, you need to decide whether you should

- Start a brand new business ‘from scratch’
- Buy an existing business
- Enter a franchise agreement

Starting a business ‘from scratch’ means that you are beginning a completely new business, where you’ve created your own brand, business model and premises.

Buying an existing business means you have seen a business for sale and decided that you will purchase it, taking advantage of the fact that it is an established business with everything already set up and an existing customer base.

A franchise agreement means you enter into a contract with a franchisor who owns a business product/service/brand, whereby your business becomes a franchisee, paying for the right to operate under the franchisor’s brand name.

What is a franchise agreement?

- A franchise agreement is an agreement between two business parties who are:
- The franchisor (owner of the original business and associated rights) and;
- The franchisee (business that wants to become part of the franchise system)
- Under the agreement, the franchisor sells to the franchisee the right to run their business selling goods and services under a particular business name and system including such functions as operations and marketing, using the franchisor’s trademark, brand name and logos. The franchisee pays an agreed amount to the franchisor before starting or continuing the business.
- Note, the franchisee still sets up their own, independent business, but operates under a franchise agreement for the period of time set out in the agreement.

The most common franchise arrangements are retailer to retailer, where the franchisor and franchisee sell a product or service to consumers. Examples include Bakers Delight, Jim’s Mowing, Michel’s Patisserie and EB Games.

Student activities

Define these terms used throughout the article in their correct business context.

- franchising
- franchisor
- business model
- trademark
- logo
- code of conduct
- disclosure statement
- performance appraisal
- franchisee
- entrepreneur
- customer base
- brand
- capital
- act in good faith
- operations manual
- human resources
- Australian Competition and Consumer Commission

1. List the three options for starting a business.
2. Suggest three advantages and three disadvantages for
   a) Starting a business from scratch
   b) Buying an existing business
3. Outline the features of a franchise business model.
Franchise Case Studies

Jim’s Mowing

Jim’s Mowing is the largest franchise model delivering lawn mowing and garden care services in the world. The first Jim’s Mowing business was established in 1982 when Jim Penman set up his business as a sole trader. He began Jim’s Mowing Franchise in 1989, in order to expand his business. Jim’s Mowing has grown to become one of the most recognised lawnmowing and gardening brands in Australia and has expanded globally with franchises in New Zealand, the UK and Canada. It has also diversified into other services such as plumbing, electrical services and dog washing.

Figure 1. Jim’s Mowing.
Source: www.jimsmowing.net

Reasons to become a franchisee promoted by Jim’s Mowing

• Well-known brand
• High demand for the brand’s services which can’t always be matched by existing franchisees
• Trusted franchise operation since 1989
• A one week training course covering lawn and garden topics as well as quoting, customer service, health and safety, computer systems and bookkeeping
• Ongoing support including meetings, and telephone and email enquiry access for assistance
• Network of franchisees who support and assist each other
• Can begin with an established round of lawnmowing/garden care customers
• Work Availability Guarantee which pays $1500 per week for free promotional work in the absence of starting with an established round

• Franchisees have the opportunity to vote out the franchisor of the region (but not the CEO Jim Penman) or move regions to a new franchisor, AKA ‘master franchisee’, if they are unhappy

A master franchisee is a person or business which signs a ‘master franchise’ contract with the original franchisor giving them the rights to act as a franchisor in a specific region.

Student activities

4. Select in order what you would consider the top five reasons for buying into a Jim’s Lawn Mowing franchise.

5. Not all franchises are successful. Google why franchises fail – whichfranchise Australia and outline the major pitfalls.

6. On the whichfranchise Australia site comment on the range of franchising categories that exist.

Bakers Delight

Bakers Delight started out as a single bakery in Hawthorn, Melbourne, in 1980. By 1988 the business had expanded, owning and running 15 bakeries. They moved to the franchise model to further expand their business, leading to new bakeries opening in Victoria and then across the rest of Australia and over the ocean to New Zealand by 1996, and later Canada and the USA. Franchising has been instrumental in successful expansion across Australia and globally for this company.

Figure 2. Bakers Delight image (photo by Rachel O’Neill)
To be or not to be a Franchisee?

Pros

- Run your own independent business but get the benefits of bigger businesses
- Don’t need as much business experience as the franchisor trains you
- Higher success rate than ‘going it alone’
- Potentially lower establishment costs
- Competitive advantage of an existing brand and business model
- Planning and decisions largely made – reduces stress
- Operations processes already organised so you make less mistakes
- Training, assistance and advice provided
- Brand is known – established name and network
- Resale opportunity
- Can be given exclusive territory operating rights
- Buying power of a large network reduces inventory costs
- Marketing is already done for you – reduces your costs and workload

Cons

- Franchise costs – initial payment and regular ongoing fees – cuts into profits
- Locked in to a formal contract with the franchisor over a term of, say, 5 years
- Decisions and style of the franchise – less room for initiative or making own decisions
- Potential conflicts between franchisee and franchisor

Benefits of being a Bakers Delight Franchisee

- Bakers Delight promote their franchise chain to potential franchisees by outlining the following benefits:
- Support – via local area managers as well as marketing, product, HR and finance teams and proven procedures and systems
- Training – via a 12-16 week program covering business operation as well as baking
- Innovation – provided by the company in areas such as operating efficiency, product development, marketing and digital platforms
- Marketing – via promotions campaigns at the local and national level aimed at brand awareness and sales growth
- Network – strategies to promote the sharing of ideas between franchisees including conferences, master classes and competitions
- Flexibility – providing franchisee owners the opportunity to work for themselves

Weighing up the pros and cons

If you’re tending towards the idea of a franchise, you need to consider both the pros (advantages) and cons (disadvantages) of such a decision. It’s useful to brainstorm a list of each and also do some research into franchise success stories as well as cases of problems and franchise failure.

Really there are two types of businesses with two different decisions to make here. There’s the decision regarding whether to become a franchisee. There’s also the decision for a business owner with an established business looking to expand – should I franchise my business and become a franchisor?
• Damage to franchise reputation caused by franchisees elsewhere can affect you
• Perceptions of quality of franchises such as Cafes
• May not suit your business vision if you want to position yourself as independent and unique
• Restrictions on who and where you sell to, the products and services you sell and your suppliers
• Need to ensure you comply with the agreement especially all the legal aspects
• Risk of franchisor “going bust” – no actual guaranteed success either
• Uncertainty – the franchisor does not have to renew the agreement at expiry

Australians have recently witnessed a number of cases where franchisees have been accused of paying below award wages to staff. Examples include 7-Eleven, Yogurberry and Muffinbreak and recently Bakers Delight. In January of 2017 it was reported that a number of staff, mostly teenagers, working at a Bakers Delight in Victoria, were being paid well under the Award rate, due to a loophole in Workplace Relations legislation, raising ethical issues with potential damage to the reputation of other franchisees and for the company as a whole.

Student activities
9. Conducting ‘due diligence’ is undertaking a risk assessment about the business decision. How can a checklist (figure 6) assist the process?

On the other hand, using Franchising as a means of Expansion

From the point of view of a business thinking about expanding, becoming a franchisor is an option. As for franchisees, franchisors also need to weigh up the pros and cons of the franchise model of business expansion.

Benefits of becoming a franchisor

Access to a broader range of talented ‘managers’ who, as they are running their own independent businesses, are highly motivated by potential profitability. As business owners, franchisees are potentially more likely to run their businesses more efficiently and profitably, leading to higher returns to the franchisor than simply employing managers in company owned and operated branches. This also reduces the amount of day to day organisation, work and stress for the original company owner.

Access to capital, as franchisees make payments to the franchisor at the initial stage to purchase outlets or stores as well as ongoing payments. This is an alternative method of finance to other forms of capital such as debt and equity finance, facilitating expansion across a region, nation or even globally.

Reduced risk, as the franchisees take on the capital investment to fund the expansion and operation of new outlets. So, whilst success of the franchisees returns a proportion of profits to the franchisor through fees and royalty payments, failure of a franchisee does not cost the franchisor a loss of investment funds.

Costs associated with becoming a franchisor

Less control over franchise owners as managers. When a business sets up branches and employs managers, they have a lot more control over managers who are actually employees. Whilst the franchise agreement signed by franchisees must be complied with legally, conflicts can arise between the two parties who are both essentially trying to maximise their own profits.

Less potential for synergy and a ‘team’ approach between branches, as each franchise is being owned and operated separately by business owners who can in fact be competing with each other.

Managing change can be more difficult as a franchisor – you have effectively locked both yourself and your franchisees into a business model and style which, if you change your ideas and vision for your business, will be difficult to change across a network of independently owned businesses.

Potential loss of the reputation of the business, as the actions or decisions of one franchisee can damage the reputation of the whole organisation.

Loss of potential customers who support your business because they see it as independent, unique and local. The nature of some businesses means that franchising just isn’t for them!

In 2005 and 2009, Jim Penman, CEO of Jim’s Mowing Franchise, faced pressure from master franchisors who wanted to vote him out of the organisation due to his management decisions including fee increases and changes to the franchise’s operations manual.
Franchising – What else is involved?

Legally Franchised
In Australia Franchise Agreements are covered by the Competition and Consumer Act 2010. Franchising comes under the jurisdiction of the Australian Competition and Consumer Commission (ACCC) which has developed a mandatory industry Code of Conduct which applies to agreements entered into since October 1998. This Code is designed to regulate the conduct of franchisors and franchisees protect the interests of each party, and requires businesses entering into a franchise agreement to act in ‘good faith’ in their business relationship. The ACCC also provides information and advice to businesses regarding franchising. Businesses involved in franchise agreements must comply with both the Act and the Code of Conduct.

You can find a link to the free training program sponsored by the ACCC and run by Griffith University at https://www.franchise.edu.au/home/education/for-franchisees/pre-entry-franchise-education

Under the Code, a business intending to enter a franchise agreement as a franchisee should request and receive information from the franchisor. In the case of a formal, written request, the franchisor is legally required to provide an information statement outlining benefits and potential risks regarding franchising.

If a person/business decides they will become a franchisee, then the franchisor is legally required to provide, at least 14 days prior to singing the agreement, the following:

• A disclosure document which provides contact details of current and former franchisees, start-up costs to franchisees including any payments or fees, details about the arrangements for renewing, extending or ending the franchise agreement, as well as information about any legal action being taken against the franchisor or directors.
• A copy of the franchise agreement

• A copy of the Franchise Code of Conduct
• A copy of any other agreements required as a condition of the franchise agreement (e.g. a confidentiality agreement)

Failure to comply with the ACCC’s Code of Conduct can result in a range of possible consequences including an injunction to stop an activity, compensation and damages to be paid, disqualification orders regarding company management or a penalty fine of up to $54,000.

The Operations Manual
Whilst not required by law in Australia, many franchises use an Operations Manual. An Operations manual provides greater detail for the franchisee regarding the day to day operations of the business, providing clarification and explanation of procedures and processes referred to in the Franchise Agreement. It is likely that the Franchise Agreement will include a clause that requires the franchisor to comply with the Operations Manual, however the main purpose of the Operations Manual is to provide advice and assistance to franchisees. A typical Manual includes information regarding:

• Overview of the Franchise and the franchisor’s background
• Human Resources – acquisition & recruitment procedures, types and roles of employees, training and development, performance appraisal procedures, uniforms, separation
• Products/services – detail on the nature of the products and/or service being sold, such as recipes e.g. for burgers, or the service such as hair cuts
• Suppliers – specific information about which suppliers are to be used
• Set-up and processes – detailed information about factors such as store layout, furniture used (think about stores such as Bakers Delight), opening and closing hours
• Equipment – specific requirements regarding equipment, tools and machinery to be used including safety requirements

Going with the Franchising Decision
Whether you’re a budding entrepreneur willing to take on the franchisee option, or the owner of an established business ready to give it a go and expand by becoming a franchisor, it is best to do your research – take advantage of information, advice and support offered by government organisations such as the Australian Government (www.business.gov.au) and ACCC, as well as business organisations such as the Franchising Council of Australia. Talk to other franchisees, especially those involved in the franchise operation you intend
join. It’s essential to be on top of legal requirements, so getting personalised legal advice from accountants or lawyers is also important. And of course, as with any business venture, remember the importance of planning in achieving business success!

Student activities
12. In seeking legal, financial and industry advice, list a range of bodies that should be consulted before making a final decision.

References and further reading
https://www.entrepreneur.com/article/226489
www.bakersdelight.com.au
https://www.jimsmowing.net/
www.businessfranchiseaustralia.com.au
The last 20 years have seen significant change in the healthcare industry, both in Australia and globally. Significant developments in technology, medicine, and consumer markets have created opportunities and challenges for government and business in health and wellbeing.

**Australia’s Healthcare Industry: An Overview**

Australia’s healthcare industry is a positive contributor to the economy through GDP, employment, innovation, and exports. It has made the largest contribution to Australia’s jobs growth over the past 15 years. The industry includes doctors, nurses, physiotherapists, dentists, child and aged care providers who represent approximately 1 in every eight Australian workers.

**Global Healthcare and Export Potential**

Currently, Australia’s greatest healthcare exports lie in medical equipment and pharmaceutical products — which added $4.7 billion to to Australia’s economy in 2013. However, healthcare service exports are much lower at just $30 million.

Rising wealth levels and longer life expectancy in emerging economies, including China and India, means global spending on health and social assistance is set to grow - creating opportunities for Australian businesses to export healthcare services. According to PWC, “Australia has the potential to sell its telemedicine and other telehealth services abroad, capture a share of the growing medical tourism market, and invest in foreign hospitals and other healthcare institutions” [http://www.strategyand.pwc.com](http://www.strategyand.pwc.com).

**Challenges Ahead**

Australia consistently performs well in terms of healthcare on international rankings such as the OECD’s Better Life Index which measures life expectancy and self-reported health. With Australians expected to live longer due to better healthcare (estimated to be 95 years for men and 96 for women by 2055), a much older population will also put more pressure on the healthcare system. Greater rates of chronic illness and degenerative diseases (diabetes, heart disease, cancer) requiring longer hospital stays and more follow-up care present challenges and opportunities for government and business.

**Reinventing Healthcare in Australia**

Whilst contributing positively to the economy, the healthcare industry in Australia also experiences significant inefficiencies. Productivity in the healthcare sector is low compared with other sectors of the economy, and costs are rising faster than the Consumer Price Index. Reinventing healthcare is an opportunity to address these inefficiencies and boost the contribution of the industry further, perhaps as an alternative driver of economic growth in Australia’s post mining boom context.

With the growth of the National Broadband Network.
(NBN), digital health has also grown enabling consumers to take an active role in managing their own health, reducing the cost of care. It also offers health care providers up-to-date patient data and support tools which reduces the risk of human error and improves efficiency and effectiveness. Much of this growth has been led by the private sector.

**Digital Health: Telemedicine & Video Consultation**

Telemedicine is defined as the ‘use of advanced telecommunication technologies to exchange health information and provide health care services across geographic, time, social and cultural barriers’ (International Organisation for Standardisation). Australia has been a successful adopter of technologies such as telemedicine and telehealth. This has provided more consistent access to specialist services, eliminated distance barriers, reduced the cost and increased the quality of care and productivity.

Video-conferencing is one of the main ways in which telehealth is improving access to healthcare services for patients who live in regional, rural and remote areas in Australia. Instead of having to travel to the nearest major city to see a specialist, an increasing number of patients are using video-conferencing (from GPs office or another health venue). For example, Jim is 78 years and affected by Type 2 diabetes and takes insulin. He lives on a farm and the closest specialist is 270 kilometres away. He travels to his GP clinic, just few kilometres away and see his specialist using telemedicine instea

**A Global Perspective: Technology Sector Investment In Healthcare**

Nearly all the largest technology companies (Apple, Google, Microsoft, Intel) are now pursuing major initiatives in healthcare. A range of influences in the business environment such as digitisation of records, machine intelligence, genetic engineering, and rapid advances in medical equipment, have created opportunities for ‘disruption’ within this industry - much like Uber in transport and Airbnb in hotel/accommodation services.

**Emerging Medical Technologies**

There is broad investment by companies in a range of industries into medical technologies that have the potential to significantly impact the healthcare industry. Some of these include:

- Virtual and augmented reality
- 3D printing (eg potentially bioprinting tissues and organs)
- Robotics and nanotechnology
- Handheld ultrasounds
- Real time food scanners
- Medical document and records management
- Clinical-grade wearables (eg sophisticated sensors and advanced analytics)

**What is Google* doing?**

GV (formerly Google Ventures) has shifted its primary focus to the healthcare industry through investment in, and acquisition of, a range of healthcare companies. Examples include Verily (formerly Google Life Sciences) a research organisation devoted to the study of life sciences and Calico which is focused on boosting longevity (http://www.calicolabs.com).

- Contact lenses that allow people with diabetes to continually check their glucose levels using a non-
intrusive method

- A spoon for people with tremors
- The Baseline Study, a project to collect genetic and molecular information from enough people to create a picture of what a healthy human should be
- A health-tracking wristband
- Advancements in surgical robotics, in partnership with Johnson & Johnson

*Google: In 2015, Alphabet Inc. was formed (a conglomerate of businesses) by the two founders of Google, Larry Page and Sergey Brin. It is the parent company of Google and several other companies previously owned by them.

Dr. Google?

For consumers, Google search is still a primary destination for healthcare information. A Roy Morgan Research Australia Opinion Poll in 2015 showed 78 per cent of Australians used Google searches to find information about a health problem in the 12 months prior to the poll, while 71 per cent used the internet to learn more about what their doctor had told them. With consumers hungry for more information and self-driven healthcare, opportunities exist in the app-development market.

Smartphones Apps and Healthcare

In the US, the ‘connected health’ market is projected to hit $US117 billion by 2020 and 86% of clinicians believe mobile apps will be central to patient health. In addition, more than one-third of adult smartphone owners claiming they are healthier thanks to health apps and features. On the Apple store alone, there are more than 165,000 health-related apps available.

Some of the health apps recommended by Health Direct (www.healthdirect.gov.au) for consumers:

- Asthma App (Asthma Australia): an educational tool for people with asthma and their families/carers.
- The Check-in (beyondblue): created to help take the fear out of having a conversation with a friend who might be struggling
- National Public Toilet App (Public Health): shows the location of more than 14,000 public and private public toilet facilities across Australia.
- My Quit Buddy (QuitNow): a personalised app to help users get, and stay, smoke free
- Recharge (Reachout Australia): a personalised six week program focused on improving mood, energy and wellbeing by putting in place good sleep/wake patterns

Apps are also being used by healthcare providers. For example, the George Institute for Global Health, based in Sydney, is exploring ways of using mobile technology in healthcare delivery, such as the use of text messages to improve medication compliance in people with cardiovascular disease, and the ‘FoodSwitch’ app, which allows consumers to scan food labels and find the healthiest choices.

One to watch: CliniCloud (https://clinicloud.com/)

![CliniCloud](https://tctechcrunch2011.iles.wordpress.com/2015/09/family_stethoscope.jpg)

CliniCloud launched with a line of Bluetooth-connected stethoscopes and thermometers that enable consumers to check their own vitals and have a doctor access them via the cloud. The digital health diagnostic tools startup was developed by two doctors in Melbourne, Australia. The developers intended CliniCloud to be used to collect information to provide a diagnosis and/or refer the user to a doctor (via video consultation). At this stage, video consultation is only lawfully allowed for those in remote areas of Australia. In the US, CliniCloud connects with a separate Doctor on Demand service that provides patients with virtual consultations over video.

Student activities

4. Outline TWO opportunities that exist for businesses in the healthcare industry.

5. Propose and explain TWO strategies that a hospital could implement to boost their operational efficiency.

6. Explain how technology and government may influence how doctors deliver their services.
Wearables and Wellness: Fitbit Case Study

The wearables technology market — which includes smartwatches and fitness trackers — continues to grow. While wearables are most commonly used for fitness-tracking purposes at the moment, they show great potential for use more broadly. Most individual consumers look to collect personal health data (or metrics) for health, motivation and fitness. Businesses have also been quick to see an opportunity to gather health data from employees, consumer, and patients to help drive efficiencies and enhance services related to healthcare and wellness.

“Fitbit helps people lead healthier, more active lives by empowering them with data, inspiration and guidance to reach their goals” (Mission Statement, Fitbit)

Fitbit designs products and experiences that track everyday health and fitness. Products include the Fitbit Surge, Blaze, Charge, Charge HR, Alta and Flex which are distributed across 63 countries through 50,000 retail stores and online. The devices are supported with a web-based ‘dashboard’ experience (along with mobile app) where collected data is uploaded for user tracking through a range of infographics (graphs, goal ranges and progress bars). This also integrates with an active online community.

Fitbit is currently developing ways their trackers can monitor stress levels as well as activity levels through tracking different biometrics - sleep patterns, heart-rate, even skin responses - to then send users warnings of stress levels and suggest ways to reduce them.

Fitbit Group Health is another initiative of the brand which uses the power of the Fitbit activity trackers, software, and services for corporate wellness, weight management, insurance and clinical research - extending their offerings far beyond the initial consumer product. Some companies, such as Red Bull, are encouraging use of Fitbit devices as part of corporate employee wellness initiatives.

DIY Doctors: Are we ready to be treated by robots rather than doctors?

Whilst the emerging technical capabilities of technology look set to impact significantly on healthcare as we know it, it is more directed towards improving operational efficiency in healthcare contexts, on managing data and information to be used more productively and the enhance the experience of both patients and medical professionals. It seems unlikely that we will be consulting with robots rather than humans in the next 5 years, but then again, who knows?

Student activities

7. Technology in healthcare presents a range of ethical issues. Discuss this statement with reference to specific issues.

8. With over 165,000 health related apps available on the Apple store, what advice would you provide to the developer of a new health app in order to maximise their chances of success?

9. Using the information provided and further independent research, discuss the global expansion of CliniCloud (an Australian business).

10. Why might businesses implement a programme such as Fitbit Group Health?

11. Outline TWO marketing strategies used by Fitbit and evaluate their effectiveness.