

State of the sector: **MATURING AND GROWING**

When the latest research into the state of the franchising sector is released later this year, it will likely show—once again—strong growth in the number of franchisees and franchise systems.

Although franchising has experienced peaks and troughs since its widespread inception in Australia, it has grown to become a significant element of the local economy.

The franchising sector is now estimated to be worth around \$80 billion a year, and employs approximately 600 000 Australians.

According to a Griffith University study, the number of franchisors in Australia in 2004 has grown to 850, up from 693 in 1998 when the Franchising Code of Conduct came into force. That number is expected to exceed 900 when the new data is released.

Of those businesses surveyed in 2004, 92 per cent were Australia-based systems.

The study pointed to a number of interesting trends developing in the franchising area that suggest it is maturing and moving away from some of the negativity which surrounded some early franchising operations.

The number of people employed through franchising is increasing steadily, with a larger proportion of those positions becoming full-time. More than a third of franchisors were assisting franchisees with finance, and more outlets are now owned and run by franchisees rather than the owner of the system.

The ACCC's own data shows that it now receives, on average, fewer complaints than it did before the franchising code was introduced. Viewed overall, the level of complaints and problems appear to be encouraging: fewer than 2 per cent of franchisees were involved in a substantial dispute in the 12 months before the 2004 survey, and fewer than 3 per cent of franchisees ceased to operate during the same period.

Despite the attention franchising has received since 1998, the average franchisor has been in business for 14 years and has been franchising their operations for 11 years.

With one-third of the Australia-based systems operating internationally, the study found that continuing growth may lead to a further expansion of Australian franchises into overseas markets. However, inexperience in international markets and a lack of suitable business partners may lead to the overseas component of many of those franchise businesses remaining small.

