



The next big thing

While recent reports claim franchising has reached saturation point, sectors like the in-home services market is proving the pundits wrong. Domini Stuart reports on these new gold rush opportunities for growth.

The boom is over. Franchising has reached saturation point. The only way is down. At least, that's what some recent reports would have you believe.

When you're thinking of buying a franchise, it's not the news you want to hear. But, fortunately, the people who know franchising best paint a much more realistic – and optimistic – picture.

“Certainly, some sectors are close to saturation,” says Adrian McFedries, Strategic Director at Deacons Consulting. “For instance, I'd say that juice bars are a mature sector now. But that doesn't mean there aren't good opportunities in other areas.

“It's also true that franchising overall has reached a mature stage in its development,” he continues. “But, again, that doesn't mean it's heading into decline. The basic business model is very sound; it will simply continue to evolve.”

Success story

According to Griffith University's 2004 Franchising Australia survey, the sector is continuing to experience impressive growth. In 2004, Australia had 850 business franchise systems compared with 700 in 2002. Franchise business units increased 14 per cent to 54,000 over the same period in 2004. 92 per cent of our franchisee systems are of Australian origin. And franchises employ over half a million Australians across sectors as diverse as food and beverage, retail, home services, banking and financial services.

In his address at the National Franchising Convention in October, opposition leader Kim Beasley underlined the fundamental reasons why franchising remains such an attractive proposition for would-be business owners.

“All the evidence suggests that Australia's franchises are among the most successful businesses,” he said. “In the 12 months to 2004, only three per cent failed. And the rate of business failure in the first five years of operation is much lower for franchises than for other businesses - one estimate suggests only 12 per cent of franchises fail in their first five years, compared with a rate of 70 per cent for other independent businesses.

“This proves the benefits of the franchise model - people get to be their own boss, with all of the independence that brings, while also being able to trade under an established brand with the big advantage of group advertising and buying power.”

Even the banks are giving franchising a vote of confidence. Most have increased their focus on the sector and are now lending up to 80 per cent of the start-up costs against nothing but the value of the brand.

Where's the gold rush?

So franchising is a great way to get started with your own business – but what kind of business will you choose? The challenge lies in anticipating the gold rush and being ready to sell the pans. And, while the experts aren't predicting a revolution, they have identified important trends.

“A big one is the in-home services sector,” says Richard Evans, CEO of the Franchise Council of Australia (FCA). “People are time poor – they don't want to do chores like washing the dog, mowing the lawn or cleaning the pool. They're rather pay someone to do it for them.

“And there's a similar thing happening in the business sector. People running small businesses don't have time to do their own book-keeping, so they call on a professional. They're starting to bring in trainers and coaches. And now there are people who will come in and analyse your expenses, then take only a percentage of the money they help you save in payment.”

While the need for child care continues to outstrip demand, another growing demand is for services at the other end of the age spectrum.

“Many baby boomers are working, they still have children at home and there's no way they can care for ageing parents,” says Evans. “At the same time, the public purse is stretched to its limit. All the signs are pointing to growth in businesses that help older people stay in their own homes. For instance, *Home Instead Senior Care* is new to Australia – and there was a lot of competition to buy the master franchise.”

Lower cost of entry

The services sector offers advantages beyond potential for growth,

“When you’re operating some kind of mobile service, you’re not locked into huge shopping centre rents – as high as \$25,000 a month at some Westfield centres,” says Evans. “You might pay a higher marketing fund, usually around 6 per cent, but that can actually be a direct benefit as it’s spent on promoting the brand.”

The start-up capital requirements for mobile and home-based operations are also significantly lower – an average of \$50 000 (excluding GST) in 2004 compared with \$215 250 for franchises operating from specific commercial sites.

Points of difference

While it can be helpful to be aware of obvious growth areas, it is also important not to write off opportunities in other sectors.

“No sector is 100 per cent franchised,” says Professor Andrew Terry, head of the School of Business Law and Taxation at the University of New South Wales. “With fast food, for instance, people tend to look at the big franchises like McDonalds, Pizza Hut and Subway and assume that the sector is close to saturation. In fact, the majority of fast food in Australia is sold through independent outlets.

“There is always room for a business with a saleable point of difference,” he continues. “You can see that happening now in the growth of healthier fast food. But, wherever you look, the most important thing to remember is that there’s no magic in the word ‘franchising’ itself. Australian franchisees may operate in the most protected environment in the world, but you’re still not buying a guarantee of success.

“As a franchisee you have a business which is legally and financially independent; buying a franchise doesn’t absolve you from your own due diligence.”

In other words, however fast a brand or a sector is growing, you can’t escape the need to check for a proven concept, proven systems, effective training, workable systems and meaningful support.

Intro to case studies

Richard Evans, CEO of the Franchise Council of Australia, identified in-home services, business outsourcing and in-home aged care as three areas with potential for growth. Here are a few of the opportunities.

VIP HOME SERVICES

Franchise concept VIP Home Services is a fully integrated group of VIP Residential & Commercial Service providers with a focus on domestic cleaning and gardening.

Territory covered Most of Australia and New Zealand

Number of franchised units Over 1,000

Investment required There are a number of entry levels, from territory only to established business with guaranteed income. The average investment is \$15-30,000.

Business established 1972

Began franchising 1997

Ideal franchisees are willing to strive for excellence in customer service, feel comfortable working as part of a team and are willing to search out opportunities. They are organised, and prepared to build their business and management skills through training. And they love what they do enough to stay fired up and excited.

Bill Vis, franchisor Traditionally, the husband would cut the lawn and the wife would clean the house. Now people are busier and have less time to do things for themselves, which is a great opportunity for people like us who are in the business of giving customers more free time. The demand for our services is already exceeding supply – we have over a thousand franchisees and we could use a thousand more.

Recently we've come back to focusing on our core businesses – cleaning and gardening, including lawn mowing. We use environmentally-friendly products and recycled paper and we're committed to water conservation. We're also introducing water retention systems which keep grass growing even in a drought. Customers can enjoy a green lawn all year round, and our lawn mowing franchisees can maintain their business.

Julie Noone, franchisee Our goal was to build up a business quickly, and VIP has certainly helped us to achieve this. VIP provides so much work and trains you to be a professional. That means covering all the basics like turning up on time, charging what you quoted, doing a good job, and having a friendly smile. We've clicked on to big cleaning contracts – retirement villages and blocks of units. Eventually, I plan to do mostly supervising, and VIP gives me that opportunity.

MANNINGS AV SERVICES

Franchise concept Installation of home theatre, plasma, LCDs, digital set-top boxes, TVs, VCRs and DVDs.

Territory covered South East Queensland and Northern NSW

Number of franchised units 1

Investment required \$44-66 000 including van

Business established December 1996.

Began franchising 2004

Ideal franchisees don't necessarily have a technical background – the service does not include repairs, and the comprehensive 4 - 8 weeks 'hands-on' training program covers the installation of all popular brands and models. However, technical aptitude is helpful, and enthusiasm and great people skills are also important.

Phil Manning, franchisor. In years gone by, home theatre was only for the rich and famous, but not any more – we're all spending more and more disposable income and time on home entertainment. Since 2000 the home theatre experience has been rampaging and, while teenagers are often better at getting pictures and sound than their parents, they don't always know how to get the best quality. The technology is changing daily – people look to us to help them make the most of it.

Gerry Biazos, franchisee I'd always had a knack for connecting TVs and other appliances, and I really wanted a business that was self contained, just me and a van. I knew people were buying a lot of plasma TVs and that they're not as easy to set up as the older types, and also that DVDs need to be tuned. What I hadn't anticipated was the demand for help with digital set-top boxes. This has to keep growing; the analogue systems are going to be switched off soon so there won't be any choice. It isn't just seniors who have no idea of how to use the new technology. Even if they could understand the instruction manuals, most people are too busy to work it all out. They really like that fact that we can just come in for half an hour or an hour and get everything hooked up and working perfectly.

PACK & SEND

Franchise concept A complete range of postal, freight, courier, packing and removalist services operating through a national retail network

Territory Australia-wide

Number of franchised units 80

Investment required Approximately \$160.000

Business established 1993

Began franchising 1994

Ideal franchisees feel very comfortable about actively marketing their services - as with all business-to-business enterprises, Pack & Send is driven by sales and marketing activities.

Leo Tortorici, Marketing Manager. Over a decade ago, we recognised that freight companies whose infrastructure required them to focus on customers with high volume requirements were saying 'no' to those who need a smaller,

more tailored service – people who were looking for flexible pick-up times, parcel-drop points, document handling, home delivery solutions, a place to buy packaging materials and a ‘no minimum’ monthly spend for courier services. To meet these needs Pack & Send developed a unique business model based around a network of franchised retail service centres which allow us to provide high levels of personalised service by consolidating freight from a large number of small volume users.

Our niche market is continuously expanding. And, now that we have established a sound reputation in traditional markets, we’re moving strongly into the booming areas of reverse logistics, fulfilment and home delivery. One factor driving growth is the phenomenal success of eBay and other on-line auction sites, which have created a significant market for professional packaging and delivery for goods of all kinds. Also, the continuing growth of the University Education and Tourism industries means there is a strong demand from international visitors who want to freight their personal effects back to their home country.“

Julee Hartmann, franchisee My husband Peter and I were initially attracted to the Pack & Send franchise by the lower investment entry compared to other retail franchises. We also liked the idea of the normal business hours with no Sunday trading, low inventory with non-perishable stock and no issues with shopping centre leases. Pack & Send’s philosophy is that you should never say no to a customer - the very nature of the business is that people will request a service that has been turned down by other companies as too hard, too big, too fragile, or too small. We see these requests as a real opportunity in the marketplace.”

FIRST CLASS ACCOUNTS

Franchise concept Bookkeeping services.

Territory covered QLD, NSW, VIC, WA, SA (TAS, NT shortly)

Number of franchised units 200

Investment required \$39 995

Business established 2000

Began franchising 2000

Ideal franchisees have a positive attitude, an entrepreneurial outlook and an interest in the business sector as well as basic bookkeeping and computer skills.

Sarah Cobb, CEO In the last three financial years, First Class Accounts has experienced an average growth of 91 per cent in the number of franchises, which makes it the largest bookkeeping franchise in Australia. Originally a home-based, mobile franchise, there is no an option to open premises and employ staff, which provides franchisees with further opportunities for growing their businesses.

There are many opportunities for growth. First Class Accounts has always committed to an extensive training program for new franchisees, which this year sees them achieving a Certificate IV in Financial Services (Accounting). Additionally we operate a bi-monthly training program for all franchisees nationally, to ensure they keep up-to-date with legislative and software developments, combined with an ongoing Professional Development Program. Furthermore as a Franchisor we operate a Compliance and Quality Review Program. We feel this provides our bookkeepers a competitive advantage in the market place, positioning us as our name states as “First Class”, and a market leader in the bookkeeping industry.”

Lyn Wagner, franchisee People running small businesses often don't have time or the skills to do their own book-keeping; using someone like me gives them more time to spend on their business, doing what they do best. Medium-sized organisations are finding that it's much more cost effective to outsource to a professional than to keep someone on staff. As a result, business is coming to me – more than I can cope with. Clients range in size from the local man with a gardening round to businesses with a turnover of up to \$10 million, and I really enjoy the variety. I made a lifestyle choice to work for myself rather than continue with 8 to 5 grind, and I love the fact that no day is the same as the next.

DIAL-AN-ANGEL

Franchise concept DIAL-AN-ANGEL provides total in-home support services including child care (nannies, babysitters, after-school carers), companion-care, care of the frail aged and the disabled, in-home nursing and housekeeping services (cooking, cleaning, washing and ironing).

Territory Queensland; NSW; Victoria; South Australia; West Australia and ACT with expansion into Tasmania, Auckland and Wellington planned.

Number of franchised units 5

Investment required \$33 000 to \$55 000

Business established 1967

Began franchising September 1985

Ideal franchisees are team leaders as well as team players, with appropriate people skills, adaptability and flexibility and a positive approach to new ideas. Good communication skills, experience in business procedures and basic computer skills are also important, along with initiative and sustainable enthusiasm.

Dena Blackman, franchisor. These days people are growing tired of trying to juggle work and home commitments. They want more freedom to enjoy time with their family or just time for themselves. It's the norm now for both parents to work, which means there's a consistent need for childcare. And a growing

number of people have aging relatives who want to live independently but really need caring, in-home assistance. In the area of in-home support, the potential for growth is limited only by the number of appropriately skilled and experienced care-givers and kindly, capable homemakers.

Lei Thomson, franchisee, Melbourne. “This is my twentieth year as a Dial-an-Angel franchisee. When I bought the business, domestic cleaning was the major component. Care for the elderly made up around 20 per cent of the business; now it’s 50 per cent or more. The nature of the care has also changed from round-the-clock nursing by a team of two or three girls to a few hours of non-nursing care every a day. In my experience, 99 out of 100 elderly people want to stay in their own home rather than go into a nursing home, and we can help them do that. There’s definitely a growing need, and this is also a very rewarding area to be working in – though there’s also a great deal of responsibility. Our clients rely on us to do the right thing – we’re 101 per cent careful when we’re selecting our carers.”

HOME INSTEAD SENIOR CARE

Franchise concept Affordable, non-medical in-home care for seniors who would like to remain in their own home as long as possible.

Territory About to be launched from Queensland, initially into Victoria and New South Wales and then throughout Australia.

Investment required \$50 - \$70 000

Number of franchised units Over 650 across the USA, Canada, Japan and Portugal, Ireland, the United Kingdom and New Zealand.

Business established 1994

Began franchising 1995

Ideal franchisees are compassionate and personable, with a heartfelt desire to work with seniors. S/he must also have leadership and marketing skills, and have a commitment to owning and operating a successful business.

Martin Warner, franchisor Home Instead Senior Care is a pioneer franchise in Australia focusing solely on at-home care for older people. There is every indication that demand for this kind of service will grow exponentially. The statistics say it all. The proportion of people in Australia aged 65 years and older rose from four per cent in 1901 to 12.6 per cent in 2001 and is expected to reach 21 per cent 2033. By 2051 it is projected that there will be 1.3 million people over the age of 85 years.

At the moment, over 2.6 million Australian adults are providing daily companionship or assistance to a parent, relative or friend. This isn’t always

an easy thing to do when you're working and may still have dependent children. And, while the Australian Government offers some of the best quality care in the world, the average amount of time spent with an elderly person can be as little as just two hours per fortnight. This is significant because companionship is a major issue for older people – they can easily feel isolated and depressed. We provide companionship along with meal preparation, medication reminders, light housekeeping, transportation and help with errands so that seniors can remain safely and comfortably in their own homes.

All of our carers are our employees and we have a very strong screening process in place. We also take care of all the incidentals like tax, workers compensation and superannuation which makes the service a lot easier for our clients.

Trend spotting

Your preview of up-to-the minute predictions.

This year

- Slower retail sales due to higher petrol prices and a subdued property market.
- Continuing increases in rent charged by shopping centre landlords.
- Intense competition for new franchisees. While this is good news when you're looking for a franchise, there will also be hot competition for staff and the best sites.
- Higher transport costs.
- Higher prices for sugar, coffee and, to a lesser extent, milk are likely to affect food franchises.
- The potential for market saturation; Australia is currently supporting around 850 franchise systems and over 50,000 outlets

The next three years

- More big companies will franchise, particularly those with large sales forces in industries such as financial services.
- More franchises will go overseas, especially to China and India.
- As smaller franchises struggle to achieve critical mass, consolidation will be a significant strategy.
- More franchises will be listed on the Australian Stock Exchange (ASX).
- We can expect an increase in the number of disputes between franchisors and franchisees.
- Franchises will become more affordable as start-up costs fall.

- There will be greater creativity in establishing new locations for franchised businesses – for example, airports, railway stations and inside supermarkets.
- Strong growth is predicted in for pizza chains, day spas, fitness products, healthy food, tanning lounges and new, fragmented industries such as hair care.

Data source IBIS and BRW

Coming soon?

In the US, they have all made entrepreneur.com's list of the Top 50 New Franchises for 2006. Will one of them be our next big thing?

CHIP – The Child ID Program uses cutting edge technology in a range of child safety products, educational training tools and software including ID cards, bracelets and fridge magnets. Each contains information which may help locate a lost or missing child.

iSold It® has built a nationwide network of convenient drop-off stores that make it easy for anyone to sell on eBay. Customers simply take in the unwanted items. iSold It stores provide the photography, listing, packing and shipping and, when the goods sell, payment.

Strollerfit® - Exercise With Your Baby!™ These interactive fitness programs, classes and products are designed to help new mothers shed extra weight, build functional strength and bond with their babies.

GarageTek uses a patented system of storage and accessories to create 'the world's cleanest garage'. By utilising wall space, GarageTek gets mess off the floor, while hanging accessories and lockable cabinets give ongoing flexibility and security. The whole garage wipes clean.

Lyons & Wolivar Investigations is a private investigation firm with a reputation for solving tough cases. They specialise in insurance investigations, including surveillance and activity checks, workers' compensation liability and disability claims.

Save It Now! helps small and medium-sized businesses to reduce costs, gain control and increase productivity. Since 1986, they have leveraged the purchasing power of 4000 customers to negotiate aggressively-discounted pricing. Web-based work-flow processes allow decision makers to implement procurement policies and track purchasing activities over multiple locations.

National Water Surveying® is a system for locating and mapping usable groundwater. Franchisees use electro-seismic technology to locate and map groundwater for a range of clients, including home owners, developers, engineering firms and utilities suppliers

N-Hance Floor & Cabinet Restoration restores wooden floors and cabinets for a fraction of the cost of typical wood refinishing. There's no dust, no mess and no irritating odour, and the process is complete in just 24 hours. N-Hance also provides a source of retail cleaning supplies that can be sold directly to the customer.

Certified Restoration DryCleaning Network™ (CRDN) is an organisation of drycleaners specialising in restoration. CRDN helps insurance companies to reduce costs and improve margins by inventorying, restoring and storing clothes and other fabric items damaged by smoke, soot, odour, water or exposure to mould.