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24 June 2022

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Franchise News for Tony Pentleton,

News & Issues

Electricity costs for retail operator to increase 300%

An IGA supermarket operator in Mapleton, Queensland, faces a 300% increase in their electricity costs from \$58,000 to \$218,000 per year as their current contract ends and their provider escalates prices for a renewal, according to a media report.

The business already has a solar installation covering its roof, but faces a massive price increase because it is also considered to be a commercial and industrial customer because it uses more than 100 megawatt hours per year unlike most small business customers. Energy provider AGL has blamed the price spike on the war in Ukraine. [Read more](#)

Private equity considers pizza sale

Private equity firm and Pizza Hut Australia owner Allegro Funds has reportedly engaged an independent business advisory firm to prepare potential buyers for a confidential auction of the pizza chain early in 2023, according to a media report.

Allegro acquired Pizza Hut Australia in 2016 for an undisclosed sum with the aim of expanding the brand's presence in Australia through new stores and a new management team. The roll out of new stores was hampered by the pandemic lockdowns but the business is catching up to its targets and is expected to be pitched as a growth play. Sales for the 12 months to December 31 were \$245 million, an increase of \$55 million from the previous year, with a turnover target of \$1 billion per year by 2027. [Read more](#)

Customer and sales growth at RFG; litigation update

Customer counts, store numbers, same store sales and average transaction values are growing for multi-brand listed franchisor Retail Food Group (RFG) for the 2022 financial year, according to a company statement.

RFG is the parent company of brands such as Gloria Jeans' Coffee, Michel's Patisserie, Brumby's and others, and announced its network had grown by a net 11 stores this year, with more scheduled to open.

UPCOMING EVENTS:

AUGUST

[Introduction to Franchising](#)

Online 10am-12noon AEST
4 x 2 hour live sessions
August 9, 11, 16 & 18

[Managing Franchisee Underperformance](#)

Online 1pm-3pm AEST
2 x 2 live hour sessions
August 16 & 18

SEPTEMBER

[Effective Franchise Recruitment](#)

Online 10-12noon AEST
4 x 2 hour live sessions
September 6, 8, 13 & 15

[Improving Franchise Advisory Councils](#)

Online 1-3pm AEST
2 x 2 hour live sessions
September 13 & 15

Presentations and workshops to help franchisees grow sales and profits

Face to face and online keynote presentations and facilitated workshops for small or large franchise conference groups. [Click here for details.](#)

Franchising Code of Conduct facts here:

- [Download current Code](#)
- [Learn franchise best practice](#)
- [Free education for franchisees](#)
- [Download compliance manual](#)
- [Download Franchisee manual](#)
- [Quick disc. document guide](#)

About Franchise News & Events:

Franchise News & Events is a

The company was the subject of intense media scrutiny ahead of the 2018 Inquiry into the Franchising Code of Conduct, and has since suffered a huge drop in its share price and an investigation by the Australian Competition and Consumer Commission (ACCC).

RFG also announced that there was no material progress in a class action by former Michelle's Patisserie franchisees which is in its early stages with a hearing listed for October 20, and that it had filed an application to expedite proceedings with the ACCC by narrowing the scope of the case. The ACCC opposes the application which is scheduled to be heard in August or September 2022. [Read more](#)

Health authority opposes fast food drive-thru

A local health authority in an affluent northern Sydney suburb has made a submission to North Sydney Council opposing a development application (DA) submitted by McDonald's Cremorne to expand its drive-thru from one to two lanes, according to a media report.

McDonald's Cremorne's \$548,620 proposal would effectively decrease the number of parking spaces from 35 to 29 while increasing drive-thru queue capacity from nine cars to 14. The plan is supported by a traffic report indicating a shift from over-the-counter transactions to drive-thru transactions since 2019. The health authority raised concerns over the increased accessibility to fast food potentially undermining health strategies tackling obesity and the possible negative influences on the eating habits of adults and children. They also noted concerns over the safety of pedestrians and road-users by the changes to traffic flows. [Read more](#)

Mixed customer feedback over cabbage swap

Fast food chains are receiving mixed reviews from their customers over their decision to deal with the shortage of lettuce by replacing it with cabbage in their burgers, according to a media report.

Customers are using social media to voice their opinions of the controversial replacement, with comments ranging from "no one likes cabbage" to "actually prefer it with cabbage it's nice and crunchy". Subway, KFC, Red Rooster, and Oporto are all using cabbage or cabbage/lettuce blends in response to lettuce supply chain disruptions caused by heavy flooding on the east coast of Australia earlier in the year. [Read more](#)

Cabbage price surge a concern for QSR's

Fast food chains that recently started using cabbage in lieu of lettuce are now facing a spike in the price of cabbage as demand soars for the underrated and unloved leafy vegetable, according to a media report.

Whole cabbages are currently retailing for up to \$11 with at least one major food retailer currently out of stock. The price increase is a result of soaring fuel and power prices, worker shortages, and increased demand for the vegetable as a substitute for lettuce. [Read more](#)

Prices to rise following wage increase

Industry groups, employers, and business owners are forecasting price rises as they struggle to pay the new national minimum wage which is

free email news service for the franchise sector.

It reports on trends, news and issues affecting franchisors and franchisees in Australia and abroad.

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Reader feedback:

Informative, accurate and entertaining. I always look forward to the next edition. It keeps me in the loop.

- Grant Miles, General Manager (Franchising), Cleaning Edge Solutions

Thanks again for a brilliant publication, always informative and set out in an organised fashion.

- Costa Cominos, National Franchise & License Manager Retail, Optus

Thanks for the newsletter. It's always informative reading.

- Jack McClane, National Franchise Manager, Floor Stores Franchising (Solomons / Carpet Call)

I enjoy getting your emails, and actually believe it's the only real quality one in the market. Your ability to share the information that 'needs' to be shared, not 'wants' to be shared is refreshing, it's a must read each week if you want to know what's really influencing the industry!

- Grant Jones, former franchisee, master franchisee and franchisor

This is a must-read to keep up with the franchise sector of Australia / NZ.

- Philip Morrison, Director, Franchise Accountants

Franchise News is the most important industry circular I see today. Always relevant. Always important. Always current.

- Rowan Hodge, CEO, Andersons

I just want to say what a fantastic job you do on this newsletter. It is a must read for anyone involved in the franchise sector.

- Mark McGinley, CEO, Couriers Please

This is a must read to keep up to date with the franchise sector of

scheduled to rise to \$21.38 per hour from July 1, according to a media report.

The Australian Chamber of Commerce and Industry suggested businesses effectively had three choices to deal with the wage increase: to reduce profits, pass the cost onto customers, or in extreme cases, close down. The Australian Industry Group was also critical of the ruling claiming it "will add fuel to the inflation fire." Meanwhile union leaders claim workers need a significant pay rise now, suggesting that wage cuts would actually cause more damage by limiting consumer spending. [Read more](#)

Visa backlogs constrict supply of workers

Businesses are waiting for up to 15 months for workers to be granted temporary skilled visas as the Home Affairs Department struggles to deal with pandemic disruption, high numbers of applications, record volumes of people on bridging visas, and an \$857 million budget cut, according to a media report.

Prior to the pandemic 83% of net overseas migrants were of working age compared with 65% of Australia's existing population, and skilled temporary visa holders have decreased by one-third to 96,000 since then. The median short-term temporary skilled visa currently takes 83 days to finalise, more than 50% longer than in March, and around one-quarter of applications are taking at least one year to process. Australia currently has 70 different visa categories. [Read more](#)

New Russian brand reopens closed McDonald's outlets

Outlets previously owned by McDonald's in Russia are reopening with a new name and logo, and neutral packaging with no word or letter that should remind customers of its former owner, according to a media report.

New brand Vkusno i tochka translates to "Delicious. Full Stop" and operates under a logo of two stylised orange fries next to a red dot on a green background. The first of the newly branded restaurants opened where the very first Russian McDonald's opened in January 1990 with the new group intending to reopen up to 100 outlets a week across the country. While Vkusno i tochka's menu still has double cheeseburgers and a variety of desserts, all "Mc" prefixes have been removed. McDonald's, which had directly managed more than 80% of its 850 outlets in Russia, sold all of its Russian business to one of its licensees for an undisclosed amount in May after suspending operations in the country in March in response to Russia's invasion of Ukraine. [Read more](#)

22-outlet chain for sale

The New Zealand operations of US-based burger chain Wendy's are up for sale, according to a media report. The 22-outlet business was first established in 1988 and has since operated under the same owners who are now looking to retire. [Read more](#)

Accreditation for franchise trainers

In-house franchise trainers can upgrade their skills and qualifications with a Certificate IV in Training & Assessment (TAE400116) to be offered in Brisbane, Sydney and Melbourne this coming August, October and November.

Australia-NZ.

- Philip Morrison, Director, Franchise Accountants

I just wanted to say how much I still enjoy reading your newsletter after all these years - it really helps me to keep the finger on the franchising pulse! Keep up the great work!

- Martin Hasselbacher, Director Policy & Advisory, Small Business Development Corporation (WA)

This newsletter is worth reading. It will keep you up to speed with a lot of things happening in the (franchise) sector.

- Peter Cummins, Executive Deputy Chairman, Cash Converters International

A must read for anyone and everyone in franchising. I can't think of any other publication that covers the important and complex issues as you do with such regularity.

- John Brown, Member, FCA Franchise Hall of Fame

I enjoy reading your newsletter as it is a source of the most informative communication about the franchise industry and the prevailing business climate issues. Keep up the good work.

- Andy Masood, pizza industry executive

As always, a very interesting newsletter.

- Benoit Davi, Franchise Sales Manager, Kwik Kopy Australia

As always, a great summary without beating around the bush.

- David Foster, past chairman, Franchise Association of New Zealand

I highly value your newsletter - (it's) so informative and my number one source for getting across what is happening across industries in franchising.

- Jennifer Parker, Marketing & Communications Manager, Ray White Real Estate

I love reading your column. Please keep it up.

- Tony Williams, co-founder Retail Food Group

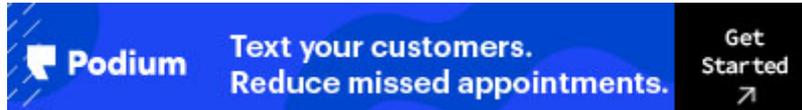
We (franchisors) are so flat out that we don't have much time to read BUT we would be dead in the water without your newsletter.

- David Tye, Managing Director, Roof Seal Australia

I find the franchising news bulletins you send out as really valuable. In my busy world these are pretty much all I need to keep up to date. As soon as

The Certificate IV course is offered both in-person and online, and will include recognition of prior learning (RPL) where applicable. Participants will need to complete 10 units of competency that will include reading materials, a choice of face to face or Zoom live sessions plus recorded tutorials or support sessions.

The course is also available for in-house delivery for groups of eight or more participants. The cost is \$2,895 per person for face to face delivery, or \$1,599 (including textbook) for online delivery. Payments made by June 30 may be tax deductible in the current financial year. For more information, [click here](#).



Trends & Innovation

Car brand confirms no online sales for now

Automotive manufacturer and franchisor Ford Australia has confirmed it will not introduce non-negotiable fixed-price online sales locally despite its global boss describing the concept as “the most exciting land grab in our industry since the Model T”, according to a media report.

Ford CEO Jim Farley announced the company is considering switching to non-negotiable fixed-price online sales in North America as a way to sell cars more cost efficiently and to better compete against rivals such as Tesla.

The online sales model eliminates dealer inventory, thereby reducing costs for dealers and the company, with the vehicles going directly to the customer. It also stops dealers charging excessive dealer delivery fees, something Ford is powerless to stop in Australia where delivery fees of up to \$6000 have reportedly been charged. Ford Australia has sought to distance itself from the North American strategy, by highlighting the important connection between their dealer network, their customer base and the community which would be lost by introducing online sales. [Read more](#)

New coffee stores prebuilt in factory

New Coffee Club outlets can be up and running within a matter of days as entire stores and free-standing drive-thrus are designed, pre-built in a factory, and shipped directly onto site, according to a media report.

The concept was developed during the pandemic when the company launched a major project to expand their drive-thru offering. [Read more](#)

Retailers defend use of face-recognition tech

Big chain retailers Kmart, Bunnings, and The Good Guys are defending their use of facial recognition technology after being referred to the national regulator for privacy and freedom, the Office of the Australian Information Commissioner, according to a media report.

Consumer group Choice, which was investigating the privacy policies of 25 leading Australian retailers, found Kmart, Bunnings, and The Good Guys

they arrive I can't help myself and have to read immediately.
- **Gary Shearer, Founder, SafetyQuip Australia**

Nice summary of the (Code) changes and reform package - I am always impressed by your ability to present information so well.

- **Dr Michael Schaper, former Deputy Chairperson, Australian Competition & Consumer Commission (ACCC)**

Great newsletter Jason. Well done.

- **Evan Foster, National Director (Australia), United Franchise Group**

I really enjoy your news review. Very concise and up to date.

- **Andrew McKenna, National Business Development Manager, Fastway Couriers**

You provide more insights into regulatory developments in your country than I can find from any other publication or blog that deals with franchising anywhere else in the world!

- **Carl Zwisler, Senior Counsel, Lathrop GPM LLP (USA)**

These updates you provide make great reading. You always have very topical and interesting articles, and unlike some other newsletters, I often find myself reading most of your articles.

- **Chris Ristevski, Sales Manager, Aon Risk Solutions**

I subscribe to a number of e-newsletters throughout Australia and overseas. I often flag them for follow-up, which I sometimes do.

But with Jason's e-newsletter, because of the quality of the articles, I stop my day and tune in. An enlightening read for anyone who is in franchising or in business today.

- **Tony Maiello, Managing Director, Essential Beauty**

I have been a long-time reader of Franchise News. ...The way the information and articles are summarised and presented is excellent. The content is relevant and contains a great cross-section of industry news and up-to-date information.

- **David Ciantar, Chief Operating Officer, Pirtek Fluid Systems**

I have just read your notes on the Billy Baxter's case "Six recruitment lessons learnt" and I thought it was an excellent review. Just wanted to email and say thanks, well done. Your contributions to the franchise

were the only ones capturing biometric data of customers by using facial recognition technology to capture a "faceprint" of customers entering their store, potentially in breach of the *Privacy Act*.

Bunnings and The Good Guys both claim their use of the technology is to keep employees and customers safe and minimise unlawful activities in their stores, that there are strict controls around its use, and that customers are notified of its use through signage at store entrances and their websites. Kmart has not issued a statement. [Read more](#)

Uber suggests minimum rates for all gig workers

Ride-share platform Uber is proposing a number of reforms to Australia's gig economy including a standard minimum rate of pay regardless of gig platform, according to a media report.

While supporting an earnings safety net for gig workers, including universal injury insurance and review channels for those removed from an app, Uber Australia's general manager also emphasised that any changes or reforms need to be industry-wide with all participants obligated to conform. A University of Sydney expert on the gig economy claims that tight labour markets will force platforms such as Uber to improve standards and conditions to retain workers. [Read more](#)

Regulation & Litigation

Auto brand faces possible \$2b payout

Automotive manufacturer Toyota Australia has lodged an appeal in the Federal Court of Australia to challenge a potential \$2 billion payout to class action participants, according to a media report.

The class action, which was filed in the Federal Court in 2019, alleged Toyota had been installing faulty diesel particulate filters (DFPs) in its Hilux, Fortuner, and Prado models which were sold in Australia between October 2015 and April 2020. DFPs are designed to minimise the release of harmful pollutants into the atmosphere but these emitted foul-smelling white smoke and resulted in increased fuel consumption and wear and tear and, eventually, required the vehicles to be serviced or repaired at the consumers' expense.

That ruling for the plaintiffs effectively opened the door for more than 260,000 vehicle owners to potentially claim damages totalling more than \$2 billion as compensation for being sold cars which were defective and financial loss associated with the purchase of those vehicles. [Read more](#)

Fast food a continued focus for Fair Work Ombudsman

The Fair Work Ombudsman has released their strategic priorities for wage compliance and enforcement for the coming financial year, with an ongoing focus on fast food businesses, as well as universities and corporates that have self-reported non-compliance, according to media statement. [Read more](#)

sector through your newsletter and these articles are really appreciated.

- Alan Grant, Director, Explore & Develop (Franchising)

This newsletter has become an absolute "must read" for participants in the franchising sector. Your regular publication contains the most comprehensive and up to date relevant information, events details and commentary on legislative developments.

- Derek Sutherland, Chair, Franchise Council of Australia Legal Committee

Terrific work. Always look forward to your newsletter.

- Andrew Phillips, Director, Brian Tracy International

Your newsletters are always punchy with the latest news and trends about franchising and are eagerly anticipated. Please keep up the excellent work and high standards.

- Stewart Germann, Stewart Germann Law, NZ

Yet again I would like to commend you on the quality of this fantastic newsletter.

- Penny Ward, Partner, Baker & McKenzie

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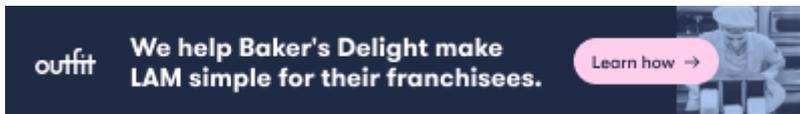
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Link policy:

Franchise News links to extended versions of stories online where possible.

Supplied media releases are often not hosted online. In these instances, a link is made to the website of the company featured in the release.



Professional Development

Franchisee Underperformance workshop returns in August

A two-part live online workshop to help franchisors identify and remedy causes of franchisee underperformance will be held on August 16 & 18, with updated content relevant to the constraints of operating in the current environment.

The [Managing Franchise Underperformance](#) workshop explores reasons why franchisees struggle, and provides intervention strategies and tactics to improve performance. [Read more](#)

Get your team up to date with franchising best practise

New head office staff working in franchising for the first time can quickly get up to speed on the unique nature of the franchise relationship, latest changes to the Franchising Code, and best practices to attending the next [Introduction to Franchising](#) series in August.

Held as an interactive online event over four two-hour sessions on August 9, 11, 16 and 18, [Introduction to Franchising](#) is more advanced than its name suggests, and for a growing number of franchisors is compulsory for new staff to attend. Get new and existing head office personnel up to speed with the latest information in franchising. [Click here for more details.](#)

How to improve franchise recruitment

The Franchise Advisory Centre's popular [Effective Franchise Recruitment](#) workshop returns in March with new and updated content relevant to the challenges and opportunities of the current recruitment environment with valuable insights for franchisors.

The four-part workshop will be delivered live online in four two-hour sessions in September on the 6th, 8th, 13th and 15th from 10am-12noon AEST, and include comprehensive reference materials. For more information, [click here.](#)

Free online course for potential franchisees

The Australian Competition & Consumer Commission has developed a [free online course "Is Franchising for Me?"](#) for potential franchisees covering issues such as the main laws that apply to franchising, what might appear in a typical franchise agreement, and how franchising compares to employment and an independent small business.

The course is updated according to the latest changes to the Franchising Code of Conduct. A previous version of the course was undertaken by nearly 20,000 participants between 2010 and 2021.



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Headlines from June 10 ([Click here](#))

- Key ingredient substituted due to shortages
- Spa group acquires NZ chain
- Tasmanian MP becomes new Business Minister
- Franchisee insolvency costs travellers
- NZ franchisees to pay more for worker visa scheme
- Fast food chain's Russian dilemma
- Last SA Pizza Hut dine-in closes after 44 years
- Nearly half of businesses expect to increase prices
- Franchise positions itself against corporate giant
- First fast food chain signs up to Reconciliation Action Plan
- Franchise group adds new virtual brands
- Franchise support for homeless
- Rates tipped to rise monthly to Christmas
- Fitness chain named for refusing to mediate
- Franchised repairers to compete with auto chains
- Franchise Disclosure Register website now online
- Underperformance workshop returns in August
- Get your team up to date with franchising best practise
- Free online course for potential franchisees

Headlines from May 27 ([Click here](#))

- Franchise conman released on bail
- Unemployment rate hits 50-year low
- Third Business Minister in 18 months to be announced
- Kev from Finance becomes social media star
- Flood-damaged centre to close permanently
- How do franchise leaders manage transformational change
- McDonalds sells Russian outlets to new brand
- Sydney and Melbourne CBD's not yet back to normal
- Mid-year retail splurge predicted
- Mortgage holders heading for interest cliff
- International coffee chain to exit Russia
- Beauty franchise partners with United Nations
- Lawsuit argues franchisee not obliged to operate full term
- Accountants sued over advice in sale to listed franchisor
- Single use bag ban to start in NSW
- When a franchise tax is not a tax on franchising
- Franchise Disclosure Register website now online
- Free Forum ticket: What do franchise relationships mean?
- Get up to date with new Code changes
- Free online course for potential franchisees

Headlines from May 13 ([Click here](#))

- Private equity sells food chain stake after 18 months
- Surging costs hit building chain
- Court dismisses claim against franchise liquidator
- How brands are managing Code and economic change
- Sharp increase in insolvencies
- Macca's offers workers pay for breaks
- Listed franchisor pursues class action member franchisee
- Top franchising lawyer recognized
- Franchise Disclosure Register website now online
- What do franchise relationships mean?
- Get up to date with new Code changes

- Free online course for potential franchisees

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Sent by Jason Gehrke

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