



Annual General Meeting 2020 Chairman's Report



FANZ

FRANCHISE ASSOCIATION
OF NEW ZEALAND

Chairman's Report

Dear Members,

2020 started out as a great year but clearly ended with the onset of COVID-19, the worldwide pandemic that has impacted our personal lives and businesses. The effects of COVID-19 continue for our members, and FANZ, including future challenges and uncertainty.

It is within the context of challenges provided by COVID-19, in addition to what was already a very busy year, that I wish to strongly recognise and thank Robyn Pickerill (our CEO) and the FANZ office management team, including Lauren Marais, Susan Mott and Adelina Santoso, for their incredible efforts and achievements during 2020. I also thank Kirsty King, who returned from maternity leave before leaving with family for Wellington.

In addition to managing the many other regular aspects of the FANZ organisation, the FANZ office team delivered many great events – including the national conference, our 25th franchise awards, and many Auckland and regional events. The 2020 year was also busy for redeveloping the Franchise Awards framework, and for important advocacy work with government and government agencies. The latter included two very important submissions for preserving value in the franchise business model, as identified later in the report. With the onset of COVID-19 we have developed and completed 14 PAFAT Gold Webinars and provided communications and advocacy to the Prime Minister, selected government ministers and opposition members, and handled multiple media requests and interviews.

Regarding advocacy, including, media relations, I provide sincere thanks on behalf of the board and FANZ members to the FANZ Advocacy Team led by Deirdre Watson. This is discussed in the report following. Notwithstanding, I would like to make special thanks to both Deidre and Robyn for their incredible efforts. I would also like to thank Specsavers' Charles Horner, their Director of Communications, for his ongoing media relations input related to our commercial leasing advocacy work. In turn, I would also like to acknowledge both Robyn Pickerill and Brad Jacobs for their work representing FANZ member (and franchising sector) interests so well in multiple media interviews.

I would also like to acknowledge the work of your Board members this year; namely, Deirdre Watson, Brad Jacobs, Sarah Archibald, James Phillips, Nathan Bonney and David Dovey. In addition, I would like to thank Kim Grafton of helloworld Travel who was co-opted onto the board in August 2019.

On behalf of the board and FANZ members, I would like to make special thanks to Deirdre Watson for her incredible contribution over six years since joining the board in 2014, including two years as Vice Chair. Deirdre has dedicated an enormous amount of additional time to many areas of



Robyn Pickerill (CEO) and Callum Floyd (Chairman)

FANZ internally and externally, including strong contributions to the many recent legal FANZ submissions. Deidre has also ably chaired the FANZ Legislative Subcommittee as well as the FANZ Advocacy Team.

I would like to make special mention of other retiring board members, David Dovey, James Phillips and Kim Grafton. We thank you for your contribution and valuable input.

I also thank the Board for their support in 2020 and assure all members that the Board has been a cohesive team committed to productively supporting the FANZ objects and office, long-term.

Thanks, are also due to our Honorary Solicitors, Gaze Burt, with Michael Bright, for their continued time and support this year. We also thank other important groups (including the FANZ Strategic Partners) and people within other sections of the report.

Finally, I would like to continue to thank you, our FANZ members. Since my first FANZ conference in 1996 (now 25 years ago), I sensed the important role of FANZ and continue to applaud and thank those franchising companies and aligned organisations that make up our membership. As we explain to Government and other important stakeholder groups and organisations, FANZ membership is a serious commitment by a franchisor to best practice. So, to all members, your vision, commitment and contribution to FANZ motivates the FANZ Board and office to help you and all franchising stakeholders. We are here by you and for you.

Finance

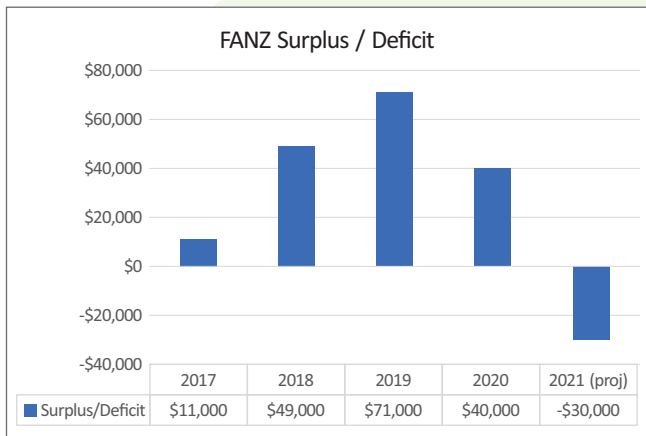
2020 has seen another year of operating surplus (\$40k). This is less than the previous year (\$71K), the reduction representing an increase in our staffing resource to meet the needs of our members and industry.

Our cash position, working capital and reserves at year end showed the Association in a very healthy position.

However, we have since had the cloud of COVID-19 hit us.

We have lost some of our membership, and lost income from not holding our annual conference. We have reviewed all expenses and have made reductions where needed. We do not rule out further cuts if required.

The Board have projected the likely position for the year ending 31 March 2021 – at this stage we expect to incur an operating deficit of \$30k for the year to 31 March 2021. This compares to the surplus for the year ended 31 March 2020 of \$40k. A reduction of \$70k.



The Board is keeping the situation under review. Next month (September) we will formally review the situation again as it relates to the next 18 months to get an updated idea of what the likely position will look like for the years ended 2021 and 2022.

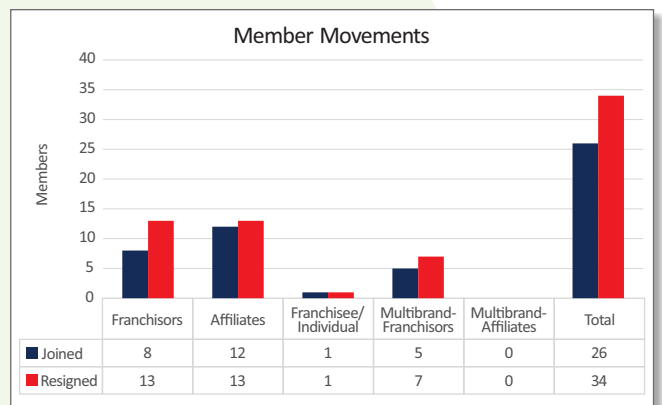
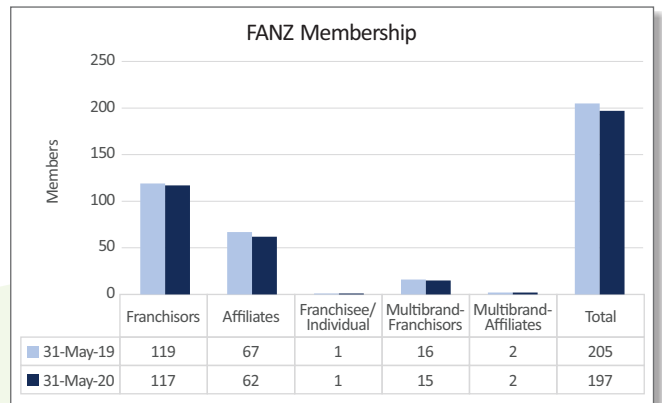
Acting for FANZ, Craig Weston of Inspired Accountants, will provide an overview of the 2019/20 accounts at the AGM.

We would like to thank Craig and the staff of Inspired Accountants for their continued and very valuable assistance during the year.

The board has decided not to conduct an audit for the 2020-2021 year. The board's intention is to audit again in the next 2021-2022 year. The board's view is the costs associated with the audit in 2020-2021 year are best saved. The accounts are being managed well and we have good systems and processes in place. We also have good continuity in management and accounting, now going back several years.

Membership

The charts below present FANZ membership numbers and key movements as at 31 May 2019 and 31 May 2020. On May 31st FANZ had 197 members, down eight on last year.



It is disappointing to see further decline in membership, although not totally unexpected. COVID-19 has caused some members, particularly on the Affiliate side to review their membership to FANZ. Businesses have reassessed costs and sadly for some FANZ Membership has been considered an expense which, for the immediate future they cannot sustain. For franchisors, who have left, they have primarily been quite small systems who have been unable to take advantage of membership participation and have also viewed their membership as an expense at this time.

Across the year there have been 19 new members, however this has not been sufficient to stop a slow decline in numbers. FANZ still has many franchises planning to join, however it is a very slow process to get franchises over the line.

The Board and management continue to look at ways to increase the membership.

Once again, we appeal to our own membership, particularly our affiliate members, to introduce your clients to FANZ and to support the goals of FANZ to be The Voice of Franchising. Your endorsement of the Code of Practice and Best Practice Franchising would be greatly appreciated. A strong membership body will be important for us all as franchising develops in New Zealand.

Advocacy

We have had an extremely busy year for advocacy and a huge thanks is extended to our Advocacy Team chaired by Deirdre Watson (Barrister and Board Member). The team includes Michael Bright (Gaze Burt), Darryl King (Jackson Russell), Brad Jacobs (The Coffee Club and Board Member), Callum Floyd (Franchise Consultants and FANZ Board Chair) and Robyn Pickerill (FANZ CEO).

Since the 2019 AGM, two submissions have been sent to Government.

- Submission in response to Fair Trading Amendment Bill
- Submission in response to consultation document "Addressing Temporary Migrant Worker Exploitation"

The Fair-Trading Amendment Bill was introduced into Parliament in December 2019 and is still progressing through Select Committee Process. If passed, it will:

- (a) introduce a prohibition against unconscionable conduct, and
- (b) extend the existing protections against unfair contract terms currently applying to standard form consumer contracts to standard form business contracts with a value below \$250,000.

The deadline to lodge submissions for this bill fell due on 27 March 2020, just after lockdown. FANZ filed its submission on time and we now wait to hear for the next steps.

We are yet to hear the outcome of the Temporary Migrant Worker Exploitation submission.

It is to be hoped that any legislation will now be stalled, at least in recognition of the added compliance cost it will introduce to small businesses, already struggling.

We will continue to assess the situation and FANZ's response.

Since the onset of COVID-19, FANZ has also been extremely busy with lobbying government. A key concern for many of our premise-based businesses was rent relief negotiation. FANZ sent several letters to Government seeking a framework or code of conduct similar to that of Australia to achieve a fair rent relative to revenue. This process has been lengthy and FANZ did achieve a good amount of publicity and the support of seven other associations who were battling for the same results for their members.

The result has been considerable media coverage and many promises of action from government. A draft Bill was finally tabled in June, which would have seen forced arbitration where parties could not reach agreement. Disappointingly at the 11th hour NZ First withdrew their support, so the bill is being reframed and many tenant situations continue to deteriorate whilst no solution is in place.

FANZ continues to raise awareness through the media in the hope that our coalition government can agree on a Bill that will support a more balanced negotiating table.

Aside from our advocacy on specific COVID-19 needs for members, one of our primary goals in advocacy is to create an awareness of franchising (including franchising's contribution and the business model of franchising) and FANZ, including our Code of Practice, Code of Ethics and the standards required of our members. We will continue to highlight the significant commitment franchisor members make by being members. It is important that government officials and policy makers continue to be aware that FANZ acts as the leader and "Voice of Franchising" and that our door is open should they have a requirement to better understand franchising, discuss any issues or amendments to bills or new legislation in the franchising space.

Our communications with MBIE's Labour Inspectorate have also continued well over the last year. We have had several discussions with them. The Employment and Immigration arm had agreed to hold workshops at our annual conference but of course this had to be postponed. We will extend the invite for the 2021 year.

Complaints Panel

There have been several enquiries to FANZ over the year but only a very small number have followed through with a formal complaint and these cases have all resulted in the complaint not being upheld.

The fact that FANZ does offer a Complaints Process is always well received by franchisees and the FANZ office has received thanks for the handling of complaints. It is also pleasing to see the co-operation from our members when a complaint has been received.

We would like to thank Patrick Learmonth of Stace Hammond for taking on the role of Chair for this panel. Patrick continues to be assisted by Hamish Walker of Duncan Cotterill and, Peter Webster formerly of Columbus Café. Peter very kindly continues to offer his services and the panel appreciates his experience. FANZ and the Complaints panel thank Rory MacDonald for his availability to assist over recent years. Rory has now retired from formal work and therefore his role with the Complaints Panel.

The complaints review process can take considerable time and requires a significant commitment by our panel members. We thank all for the time they have put in.

Education

FANZ's Franchisee Pre-entry online education programme has now been live for six years. There have been 106 course completions in full over the last year which brings the total for the six years to 884 completions. We continue to encourage all franchisors to refer and include a link to the online training on your own franchise recruitment website pages. It may also be very beneficial to request that prospective new franchisees to your groups complete the programme before joining your franchise group.

Sponsorships / Partnerships

Sponsorship is vital to the long-term sustainability of FANZ. The Strategic Partner programme has assisted hugely to supporting FANZ over recent years. The programme is now in its fourth year. After partnering with us since its' inception we have now farewelled MYOB, Microsoft and KPMG. We wholeheartedly thank these businesses and the individuals representing them, for the solid support they have provided to FANZ.

COVID-19 has been a contributory factor in decisions to continue to support FANZ, so our sincere thanks go to Westpac, Crombie Lockwood, Green Acres, EnableHR/HR Assured who have continued to support us through these challenging times.

I would encourage you to acknowledge the support of our Strategic Partners and become aware of the areas where they may be able to assist your franchise and/or franchisees.

In addition to Strategic Partners we also have our Platinum Partner, Waipuna Hotel and Conference Centre. Waipuna have continued to support FANZ, not only with conference and awards, but they have also generously sponsored 'Robyn's Southern Roundup,' the casual drinks catch-up session which has seen a consistent following. Of course, with the challenges of COVID-19 some of these activities have been curtailed but we do hope to get back on track in the not too distant future.

We had planned to have our Westpac Franchise Summit at Waipuna to show our support for their longtime partnership, however as Waipuna is being used as an isolation hotel it will no longer be available for conferences for the balance of this year.

Specific sponsorships for Conference and Awards are still very important to FANZ and we very much appreciate all the sponsors and trade exhibitors who choose to show their support for franchising by supporting these events. It was indeed unfortunate that FANZ had to postpone the full conference and awards this year. We plan to be able to offer many more sponsorship opportunities next year with the return of both conference and awards in 2021.

Sponsors come on board for primarily two reasons; one is to show their support for the franchising sector and the second being to seek exposure for their own brand and services. I encourage all members to first consider our sponsors when looking at products and services for your own businesses.

Franchise New Zealand Media - FANZ Media Partner

FANZ continues a strong and highly beneficial collaboration with Franchise New Zealand Media. We must thank Simon and Lorraine Lord for the continued support they provide FANZ and the promotional stories Simon writes to encourage attendance and participation in FANZ events but is also supportive in many other ways.

Franchise New Zealand magazine and website is the only magazine and website in New Zealand dedicated to franchising and continues to produce top quality news and stories with strong readership and click through rates, so please do show your support to Franchise New Zealand for the good work they do for franchising by using this avenue to promote your own business.

Westpac New Zealand Franchise Awards - 25 Years

The incredible milestone of 25 years of awards was achieved in 2019. The 25th Westpac New Zealand Franchise Awards was a wonderful celebration of franchising achievement held at the very stunning Cordis Hotel.



Congratulations to the many finalists and winners, and in particular to our two Supreme Winners:

- Westpac Franchise System of the Year 2019: Pukeko Rental Managers; and
- Westpac Franchisee of the Year 2019: The Coffee Club Takanini – Sarith Thong.



The 25th Westpac Franchise Awards, was also a most fitting event to acknowledge the great work of Daniel Cloete of Westpac for his continued dedication to the promotion of franchising as a very viable business model. Daniel was awarded a Life Membership to FANZ in honour of his efforts over many years.



We whole heartedly thank Westpac and Daniel Cloete, for their continued sponsorship of the awards.

Unfortunately, due to COVID-19, the 2020 Westpac Franchise Awards were not launched as planned in April. The proposed launch date, coincided with lockdown and therefore, Westpac and FANZ considered that business focus for the remainder of 2020, would first, be on survival and then on rebuilding, rather than entering awards. As a result, Westpac has taken the opportunity to redirect their considerable support to the upcoming Westpac Franchise Summit – Pulling together for the future.

FANZ is both delighted and extremely grateful at this very generous display of support for franchising and looks forward to presenting a day of learning, sharing, and networking in October of this year.

Conference

Our 2019 conference was another outstanding event held at The Distinction Hotel in Rotorua.

There was a total of 210 attendees with 55 franchise systems in attendance and the overall rating for the conference was 8.4/10.

The conference is a great chance to take time away from your business and gain some refreshing knowledge and ideas to consider for your own business. The keynote speakers, workshops, networking, and shared sessions all contributed to allowing us to reflect on how we do things and challenge us to consider different approaches.

Thank you to our Strategic Partners, Platinum Partners, Conference Sponsors and Trade Exhibitors for your part in the success of the National Franchise Conference.

The 2020 Annual Conference was due to be held in June but, of course, due to COVID-19 this has been postponed for 1 year. Dates for 2021 are June 9-11. The location will be Claudelands, Hamilton.

PAFAT Gold Sessions

The PAFAT Gold sessions originated out of the desire to offer value to our members during the COVID-19 lockdown. The sessions started as twice weekly and were extremely well attended as members and affiliates openly shared their strategies for surviving through unprecedented circumstances.

The contribution made by more than 60 member franchisors and affiliates was truly Gold!

The landscape was changing so rapidly, and government packages were being released daily so our affiliate members were able to add a valuable dimension and expertise by highlighting the opportunities and presenting the information in a format which was easily understandable.

FANZ received many calls and emails of thanks. Times like these are extremely challenging for leaders and the world can often seem lonely, so it was fitting that FANZ was able to create that valuable sense of community. A huge thanks to all who contributed, supported, participated and coordinated these valuable sessions.

Branch Meetings

There were a good number of Branch events in the second half of 2019; however, during COVID-19 it has not been possible to hold these events - hence the PAFAT GOLD sessions mentioned above.

ASB continues to support FANZ through the sponsorship of the Auckland 'After 4pm' meetings which have been renamed to Twilight Sessions. We are very grateful to ASB for their support of these sessions. The value of accessing a superb venue such as the ASB has been significantly highlighted now that venues in Auckland are in extreme short supply due to so many hotels being used as isolation and quarantine venues. We are very fortunate to have the reliability of ASB's great venue.

A summary of Branch Events July 2019 – February 2020

Date	Sponsor	Speaker	Topic
24 July Auckland After 4	ASB and Microsoft	Microsoft – Darren Oxlee	The cost, risk and value of technology in small business
21 August Auckland Breakfast		Round Table Sessions	
2 September Christchurch Regional	Harmans Lawyers & Westpac	Pete Burdon – Media Training NZ	Preparing your franchise for negative media attention
12 September Robyn's Central Roundup		No speaker	Casual Social Gathering
18 September Auckland After 4	ASB	Panel facilitated by Stephen Brown Craig Weston – Inspired Accountants Damian Lawrence – Sure Match Darryl King – Jackson Russell Nick Stevens – Link Business	Preparing your Business for Sale
7 October Robyn Southern Roundup	Waipuna Conference Center	No speaker	Casual Social Gathering
16 October Auckland Breakfast	MYOB	Westpac Senior Economist Michael Gordon	Economy update, insights and data.
28 November Bay of Plenty After 4		No speaker	Social Gathering
FANZ Xmas Function	Green Acres	No speaker	Social Gathering
19 February Auckland After 4	ASB	Session facilitated by Callum Floyd Carrie Bennett – Super Liquor Brett Dennis – Green Acres Susannah Cowan – MTF Finance	Franchise Field Manager Challenges and Insights
March onwards National PAFAT GOLD Calls		Franchise and Affiliate Members	COVID-19 challenges and innovations

A big thank you to all our Strategic Partners, sponsors and supporters who make these events possible.

It is particularly challenging in the regions for FANZ to organise events, so we do thank Mark Sherry for the Christchurch Region and Nathan Bonney and David Dovey for the Bay of Plenty Region. The Wellington region has proved to be the most challenging of all and over many years Claire Byrne of Gibson Sheat has given valuable time to arranging events, and we very much thank Claire for her efforts.

We would also like to acknowledge and sincerely thank our very own Life Member and Hall of Fame inductee David McCulloch for his continued commitment to attending every Auckland branch event and voluntarily fulfilling the role of MC.

Franchising New Zealand Survey

The Franchising New Zealand Survey 2020 had just been launched as COVID-19 struck so we quickly withdrew the survey, as the timing would have been inappropriate. The survey is ready to relaunch, however it will be held back until the economy is in a more stable status.

The survey does provide a very valuable source of data which is well utilized and supports FANZ in many activities, particularly when lodging submissions and lobbying government.

We thank Massey University, Professor Jonathan Elms and Dr. Susan Flint-Hartle for providing the expertise to collate and run the survey on our behalf.

Our sponsors and supporters for the survey must also be acknowledged for their generous contributions, without which we could not run the survey. The sponsors and supporters for the upcoming survey are:

Westpac, Hayes Knight Chartered Accountants, The Franchise Coach, Stewart Germann Law Office, Franchise Consultants and Franchise New Zealand Media.

Scrutineering

The role of Scrutineering has been a challenging area for FANZ and for the year November 2018-2019 we had a panel of FANZ lawyers acting as Scrutineers. They did a sterling job for FANZ and were extremely generous with their time. It was noted however, that the Scrutineering can be extremely time consuming and protracted and therefore FANZ continued to seek a dedicated resource for this role. In April 2020 FANZ officially appointed Kevin Reilly to the role. Kevin Reilly had a long career with the ASB in Business and Commercial Banking Senior Management. Kevin has worked closely with Kevin Connell over several months to understand the requirements of the role.

We sincerely thank our panel of Scrutineers who remain on standby should they be required. Our thanks are extended to Patrick Learmonth, Hamish Walker, Stewart Germann, Harshad Shiba, Chris Bradley, David Foster, and Mark Sherry.

Kevin Connell who has attempted to retire on many occasions from the role of Scrutineer can now finally rest easy knowing that he has supported FANZ to have a scrutineer resource which should put FANZ on a much better footing going ahead. We sincerely thank Kevin for his support over many years and wish him well for his retirement.

To our members we would ask that you play your part in assisting the scrutineering by having your documents ready to go and submitting them when asked and responding promptly if changes are required. This is very important for our scrutineering process, including enabling our FANZ office management team to make the best use of the valuable time they have available. This will be particularly important over the next year.

International Representation

FANZ once again attended two World Franchise Council (WFC) and one Asia Pacific Franchise Confederation (APFC) meeting during the 2019 year. The first WFC meeting was held in Madrid, Spain. The second WFC, and APFC meeting, was held in Abu Dhabi, United Arab Emirates.

Following the development of COVID-19, 2020 meetings in Beirut, Lebanon and Seoul, South Korea have been postponed until further notice. In their place have been weekly and bi-weekly WFC Pandemic-focused webinars that we have attended. There has also been one APFC webinar call.

All of the meetings have been very valuable. The meetings in-person comprise a mix of presentations, workshops and round-table discussion meetings – as well as the opportunity for one-on-one discussions. The meetings deliver valuable learnings and ideas for FANZ. Many attendees are very generous with their time and insight.

FANZ continues to be well-regarded in all of these meetings and has a strong network of contacts with other international franchise associations. If you would like an introduction to any of these other associations, please do not hesitate to contact the FANZ office for details.

Finally, thank you again to all FANZ members, Sponsors and Strategic Partners. And on behalf of all FANZ members and the board, I thank Robyn Pickerill and the FANZ Office team for their great leadership, effort and results, in what was another very busy and challenging year.

We wish you all the best for 2021 as you respond to a recovering economy.

Regards,



Callum Floyd | Chairperson.



FANZ

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