



Annual General Meeting 2019 Chairman's Report



FANZ

FRANCHISE ASSOCIATION
OF NEW ZEALAND

Chairman's Report

Dear Members

2019 has been an extremely busy year for the FANZ office in support of our highly valued members, be they franchisors, franchisees, service providers and/or individual members. It has also been a positive year in terms of financial results as you will see.

We must acknowledge, up front, the tremendous work of the FANZ office, led by Robyn Pickerill. Robyn works with an incredible intensity and commitment to excellence. She is dedicated to improving many aspects of FANZ despite a high workload of regular activities. Her efforts deserve special mention and I would personally like to thank Robyn on behalf of the Board and all members. We also acknowledge and thank the hardworking individuals within the FANZ office team led by Robyn. This includes Lauren Marais, Susan Mott, Adelina Santoso and the returning Kirsty King (from maternity leave). We thank them for their commitment and effort.

I would also like to acknowledge the work of your Board members; namely, Deirdre Watson, Brad Jacobs, Sarah Archibald, James Phillips, Nathan Bonney and David Dovey. The board is a substantial and voluntary commitment, and many members invest considerable additional time. I thank the Board for their support in 2019 and assure all members that the Board is a cohesive team committed to supporting the FANZ objects and office, long-term. I would also like to make special mention of Deirdre and Brad (immediate Past Chairperson) for the considerable additional time that they have invested this year.

Last year in September I was pleased to be elected by the Board to succeed Brad as Chair after he had served the maximum allowable tenure under our Rules. I would like to acknowledge Brads work and the work of previous Chairs and Boards. Since my first FANZ conference in 1996, I sensed the important role of FANZ and the commitment of the people involved in its management and governance. I also sensed and continue to applaud and thank those franchising companies and aligned organizations that make up our membership. As we explain to Government, FANZ membership is a serious commitment by a franchisor to best practice. So to all members, your vision, commitment and contribution to FANZ is what motivates us and empowers the FANZ organisation to help you and all franchising stakeholders. We are here by you and for you.

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, and importantly, we would like to note that the 2020 year has already commenced and is a year requiring even greater effort. We have the 2019 Conference, revised and special 25th Awards and will be conducting the 2020 Survey of New Zealand Franchising – in addition to our other regular activities.

At the same time, we note an increasing need for FANZ to monitor trends that impact upon franchising and think about how New Zealand franchising and FANZ needs to adapt. One of the worldwide trends is an increase in legislation, whether directly or indirectly, impacting upon the franchising business model. Another trend is an increased scrutiny on franchise business compliance to existing laws. Yet another trend is increasing knowledge of what constitutes best practice.

As an Association we have continued to create submissions on key issues, and importantly build engagement with government and its agencies to build relationships, better understand our mutual perspectives and learn.

We move forward into 2020 stronger for our work in 2019, and look forward to advancing the objects of FANZ and you, our membership.

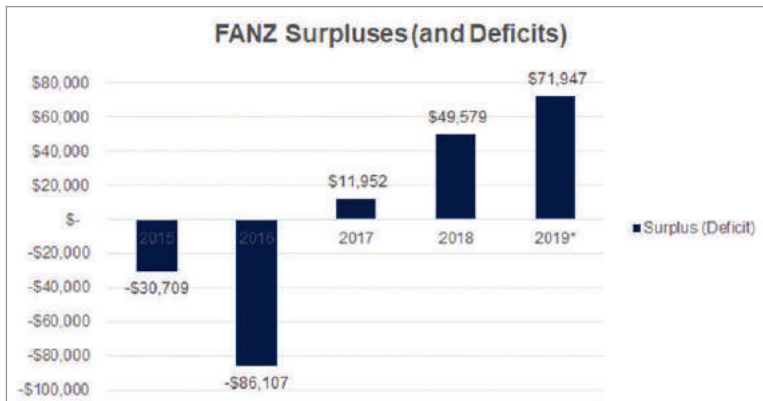


Callum Floyd (Chairman) and Robyn Pickerill (CEO)

*“As we explain to Government,
FANZ membership is a serious commitment
by a franchisor to best practice..”*

Finance

FANZ's financial situation improved considerably in 2018/19, building on measures put in place over the previous two years. Our audited 2018/2019 Net Profit figure was \$71,947, up \$22,368 on the previous year.



As illustrated above, the last three years have delivered a considerable turnaround in financials – putting FANZ in a stronger position. We note, however, the sensitivity of FANZ financials to all revenue streams and 2019/2020 brings some cost expansion. Notwithstanding, the Board will continue to focus on maintaining surpluses and building equity, where possible. The Board understands the importance of establishing a base of reserves.

Acting for FANZ, Craig Weston of Inspired Accountants, will provide an overview of the 2018/19 accounts at the AGM. We would like to also thank Craig and Inspired Accountants for their continued and very valuable assistance and support this year – particularly given the turnaround required for this earlier AGM.

Advocacy

We continue good work in this area. Over the last year we have held several meetings with government officials, agencies and working groups. We have met with and maintained dialogue most notably with:

- Hon Kris Faafoi, Minister of Commerce and Consumer Affairs and other portfolios (including Associate Minister of Immigration).
- Hon Stuart Nash, Minister of Small Business and other portfolios
- Tenby Powell, Chair of the Small Business Council, and
- MBIE, including the Labour Inspectorate

This year also saw us deliver a submission on the discussion paper entitled 'Protecting consumers and businesses from unfair commercial practices.' The discussion paper provided background and considered options to:

- Increase protections for businesses and consumers against unfair conduct
- Increase protections for businesses against unfair contracts

FANZ's submission set out to explain franchising, FANZ and the structure of the franchise business model. In particular, the submission set out to explain the nature, role and reason for several important franchising elements; not least, the "legitimate interest" developed and owned by franchisors, franchise agreement controls (including their purpose for franchisees), franchise manuals, and the

standard form nature of franchise agreements. FANZ's view was that existing laws already provide sufficient remedy and that the potential for new laws would increase uncertainty, add to compliance costs and, potentially curtail business growth.

FANZ continues to plan meetings with key government personnel and makes continued efforts to involve government leaders in key events (i.e., conference and awards).

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 highlight the significant commitment franchisor members make by being members, in particular. 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 continued well over the last year. We have had several discussions with them as they have shared their concerns regarding compliance with NZ employment practices.

You will recall that FANZ acknowledged MBIE's concerns. Aligned, we have shared MBIE educational resources via the FANZ website to show our support for the requirement to comply with all legislation and to provide ease of access to critical information for prospective and current franchisees. We also developed a list of recommended considerations for franchisors. In addition, last year, we made the change to Clause 6.3 and 6.4 of the Code of Practice. All Franchise Agreements going forward must reflect these updates. Franchisors need to remember this as part of the compliance check process.

We thank all members of our Rules and Legislation Sub-committee for their on-going assistance and support. We also thank those most involved in the FANZ submission on unfair contracts terms and conduct discussion paper. That included Deirdre Watson, Darryl King, Michael Bright, Brad Jacobs, Dawn Engelbrecht and Callum Floyd.

Membership

The charts below present FANZ membership numbers and key movements as at 31 May 2018 and 31 May 2019. At the time of compiling this report FANZ had 205 members, down six on last year.

It is disappointing to see a decline in membership, an area which the management and Board considers seriously and continues to address. FANZ does, however, have several new potential members in the pipeline, including some large franchise organisations.

We comment that it has become more apparent with time that the intention to join and the practicality of doing so (i.e., presenting a completed membership application with associated documents) are two different things. Many companies take considerable time, despite great intentions.

Regarding resignations, all exiting members have been surveyed to better understand their decisions and context. Membership levies and cost of compliance is certainly a factor for some, particularly smaller franchisors. Some expected FANZ would directly deliver more franchise recruitment leads.

Aligned, you will be aware that FANZ recently conducted a membership survey to better learn what it is that our members value and want. Accordingly, our franchisors top six areas (out of 30), by importance rating, were:

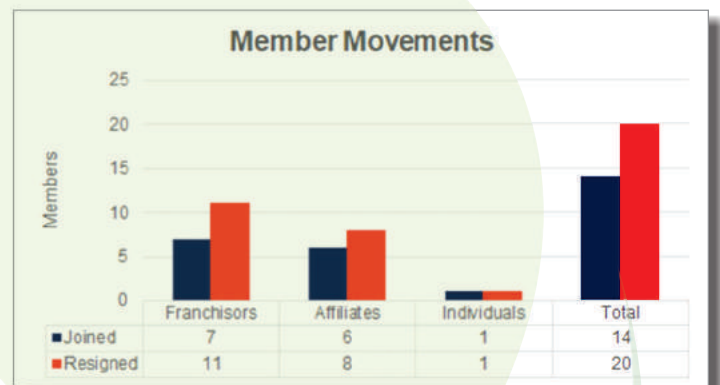
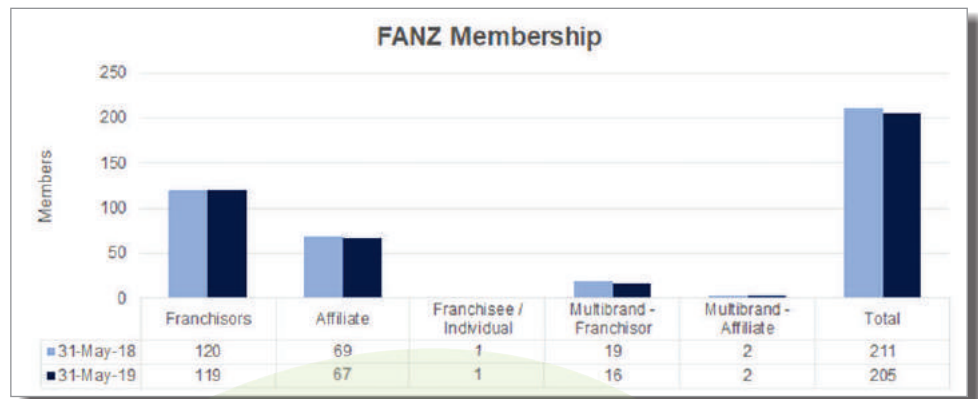
1. Representation to government and government departments on issues affecting franchising
2. Submissions representing member interests on discussion papers and proposed legislation and regulations
3. Promotion of “best practice in franchising”
4. Maintenance of our Self-Regulatory programme via the FANZ Code of Ethics and Code of Practice
5. Media responses to both promotional opportunities and negative coverage
6. Independent biennial scrutiny of franchise agreements and disclosure documents

The timing of this survey also corresponded with other World Franchise Council member surveys on the same issue. Overall, our survey was more extensive and specific. Our franchisors rated representation and promotion of best practice very high in importance. Meanwhile, the World Franchise Council's research showed that smaller franchise groups were interested more in franchise and professional development. By contrast, more established franchise systems were interested in government relations and research.

In New Zealand, our top three categories were (1) Representation & Promotion (of Best Practice), (2) Credibility and (3) Information, Education & Celebration. We have taken note of these survey results. They have and will continue to align the Board and management's thinking on FANZ's key areas of focus.

Finally, we note that now FANZ finances are in a stronger position, FANZ will be looking more actively, over the next year, to conduct stronger promotion of what it means to be a FANZ member and that prospective franchisees should only buy from a member.

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.



Complaints Panel

The complaints panel has received a small number of formal complaints this year and in all cases but one the complaint was not upheld. The one example that was upheld was resolved to both party's satisfaction.

The enquiries continue to be steady and most enquiries continue to come from franchisees whose franchisor is not a member. It is always disappointing that FANZ is not able to assist these people and reinforces the need to for us all to promote the message of "Look for this Sign Before you Sign, Buy a Franchise with Confidence."

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 now of Duncan Cotterill and, Peter Webster of Columbus Coffee. We also thank Rory MacDonald for being available as an alternate panel member. Ian Robertson of Pink Batts has also made valuable contribution however, Ian has recently stepped down from the panel. We thank Ian for his time on the 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 five years. There have been 103 course completions in full over the last year which brings the total for the five years to 687 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 introduction of the Strategic Partner programme has assisted hugely in the turnaround of the association. To date all our Strategic Partners have renewed their commitment to FANZ which is greatly appreciated. A sincere thanks goes to Westpac, Crombie Lockwood, MYOB, Green Acres, KPMG and Microsoft.

We are also delighted to acknowledge Enable HR as our latest Strategic Partner. Enable HR have been a Platinum Partner for the last year and as of June 1st have elevated their support to the level of Strategic Partner.

Our Strategic Partners are all present at conference and have a keen interest in understanding how they can best serve your businesses. 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 Platinum Partners. Waipuna Hotel and Conference Centre continue to support FANZ, not only with conference and awards, they are also sponsor 'Robyn's Southern Roundup', the casual drinks catch up session which is getting a consistent following.

Waipuna have advised that several members have taken advantage of their superb venue for conferences and other events. Thank you to those who have supported our Platinum Partner.

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. This year we have attracted some new supporters who you will meet throughout the course of the conference.

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 with a strong 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.

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.

Franchise New Zealand Media has direct links from the FANZ website through to their site, so you should ensure that when your business name is clicked on, on the FANZ website, that the listing you link to, is of the quality and size best suited to attracting further enquiries and business opportunities.

Westpac New Zealand Franchise Awards

The 24th Westpac New Zealand Franchise Awards was a stunning event, held at the Alexandra Race Course. We whole heartedly thank Westpac and Daniel Cloete, for their continued sponsorship of the awards. This year is the 25th Year of NZ Franchising Awards and we keenly look forward to a great celebration this year and anticipate record entry numbers.

This year you will note that considerable effort has been put into revamping the questions and categories for the awards, so they are more directly franchising specific. Business Excellence remain our partner of choice for the awards evaluation and judging. Some great work has also gone into the FANZ website for presentation of the awards process. Steve Goldie of Beans and Rice has been behind the new look and presentation and we thank him for the professional way FANZ is presented.



Conference

Our 2018 conference was an outstanding event held at the Wairakei Hotel in Taupo. There was a total of 192 attendees and the overall ranking for the conference was 9.2/10. 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 contribute to allowing us reflect on how we do things and challenge us to consider different approaches. We have every confidence that this year's event will continue to challenge your thinking and inspire you to continue to develop your business. Thank you to our Strategic Partners, Platinum Partners, Conference Sponsors and Trade Exhibitors for your part in the success of the National Franchise Conference.

Branch Meetings

ASB continues to support FANZ through the sponsorship of the Auckland 'After 4pm' meetings and we thank ASB for this.

The Auckland Breakfasts and Christmas function, were sponsored by Strategic Partners: MYOB, Green Acres, Microsoft, and KPMG. A big thanks to you all.

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.

Branch Meetings around the country have been more challenged in the last year, and the main reason for this is the difficulty of getting the message out to franchisees, that these events are on. The numbers of franchisor members outside of Auckland is not extensive and therefore we need to spread the message wider. Ideally the invite should go to all local franchisees. FANZ would welcome support in building this list. We are confident we can provide content relevant to the franchisee community which will support the continued growth of franchisee businesses.

Thanks to Mark Sherry of Harman Lawyers, Jenny Swanson-Edwards of MYOB and the team of affiliate members who coordinated a well-supported event in September 2018. Grant Archibald of Business Franchise Group presented, and the presentation was well received. Thanks too, to Grant for the excellent presentation.

The Bay of Plenty Region is now being coordinated by Board members, Nathan Bonney and David Dovey. A well-attended event was held at Exceed Franchising in November 2018. Further events are scheduled but again contact databases need development. If you can support us, by promoting these events to your franchisees or inviting your franchisees to join our mailing list, FANZ would be very grateful for your support. Regional events generally do not have any cost for attendance.

Wellington has also found it difficult in the last year to get more than one event underway. Our thanks to Claire Byrne of Gibson Sheat for persevering on our behalf. If you would like to support us with these regional events, we would welcome hearing from you, especially if you can get the message out to a wider group for us.

Rebranding of FANZ

The rebranding of FANZ is well and truly in place and we continue to make improvements at every opportunity as finances allow. The Awards site for this year is a good example of the improvements we continue to make.

It is still noticeable, however, that some of our membership are not up to speed with the new branding. We encourage all members to check the branding you are using and to contact the association if it is not up to date.

We also encourage all members to review their advertising in Franchise New Zealand Magazine and Website as many members are not utilizing the logo on their advertising. The fact that you are a member, does differentiate you from those who aren't (a point we will emphasize more), so we urge you all to check your advertising and your websites.

Franchising New Zealand Survey

The Franchising New Zealand Survey 2017 results have been used time and time again by many and especially by FANZ as we talk with MBIE, Government officials and the Small Business Advisory Council.

The statistics never cease to amaze those we talk to. Plans are underway for another survey to be launched later this year, for publication mid-2020.

Rules and Code Changes

There have been no Rules and Code changes since last year's AGM.

Many systems were very prompt to make the appropriate updates to Franchise Agreements with regard to the variation to the Code of Practice, clause 6.3 and 6.4, which came into effect 1st April 2018 and we thank those of you who have done this. It has been noted, however, that some systems have not yet updated their agreements in line with this variation. As many of you are now being contacted for your biennial compliance check it would be very helpful if you could ensure all changes have been updated.

Scrutineering

In November of this year FANZ made the decision to for the purposes of sustainability of the scrutineering process to appoint a panel of FANZ lawyers. This process is still in its early days and refinements continue to be made to ensure optimum efficiency. We once again thank Kevin Connell who has provided support and expertise to assist the panel to get up and running. Thanks to our panel; namely, Patrick Learmonth, Hamish Walker, Stewart Germann, Harshad Shiba, Chris Bradley, David Foster and Mark Sherry.

International Representation

FANZ once again attended both World Franchise Council (WFC) and one Asia Pacific Franchise Confederation (APFC) meeting over the last year. The first WFC and APFC meeting was held in Cairo, Egypt in November. The second WFC in Madrid, Spain, in April.

The Madrid meeting had 59 attendees from 36 different franchise associations. These meetings comprise a mix of presentations, workshops and round-table discussion meetings. The meetings deliver considerable insight and are an opportunity to learn and share ideas from or with other associations. Many attendees are very generous with their time and insight.

FANZ is well regarded in 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.

We wish you a wonderful 2019.

Regards,



Callum Floyd | Chairperson.



World Franchise Council Meeting 2019



FANZ

FRANCHISE ASSOCIATION
OF NEW ZEALAND

Franchise Association of New Zealand Inc.
Level 4, 51 Hurstmere Road, Takapuna, 0622
PO Box 33-676 Takapuna 0740
Phone: + 64 9274 2901
info@franchiseassociation.org.nz
www.franchiseassociation.org.nz