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AUS: Franchise Code change legal bills topped \$9 million

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Changes to the Franchising Code of Conduct last year cost franchisors more than \$9.42 million in legal fees to update franchise agreements and legal documentation, according to new research.

The latest Franchisor Expansion Study by market intelligence organisation 10 Thousand Feet canvassed the opinions of more than 100 Australian franchisors to determine the major impact of changes to the Code of Conduct, which came into force on March 1, 2008.

On a case by case basis, 49% of franchisors surveyed incurred legal costs of \$5,000 or less, with 7% incurring legal costs in excess of \$50,000.

Beyond the financial outlay, 40% of franchisors pinpointed increased administration time as the major impact the changes to the code had on recruitment processes, while 17% stated that it now takes longer for new franchisees to start operating.

Only 6% of franchisors said they now have less flexibility in negotiating franchise agreements, while 33% said the changes hadn't affected recruitment processes at all.

Ian Krawitz, head of intelligence at 10 Thousand Feet said: "The changes to the Code of Conduct were designed to increase the transparency, quality and timeliness of disclosure to existing and prospective franchisees. The fact that many franchisors have experienced little or no impact on recruitment processes should be seen as a positive because it indicates that the industry was already operating with a high level of integrity."

