

LEGALSKILLS⁺

an online learning platform



EPISODE 1

WHAT IS FRANCHISING

What is franchising?

- Duplication / cloning / copying
- 14 industries
- Establishes a business: goods / services – Franchisor
- Develops a business system
- Corporate identity: Trademarks / colour / signage
- FASA 2023 survey: franchising = 15% of GDP
- Stimulates the economy / create jobs

Franchisor / Franchisee

- Franchisor / Franchisee
- Franchisor grants rights
- Franchisee acquires the rights

What does franchising involve?

- Consumer Protection Act
- Disclosure Document
- Franchise Agreement
- Operations Manual
- Trade Marks

Consumer Protection Act

- Section 7
- Regulations
- Compliant

Disclosure Document

- Mission statement / background information
- Financial projections
- List of Franchisees
- Due diligence
- 14 days wait

Franchise Agreement

- Contractual relationship
- In writing
- Duties of Franchisor - impart knowledge / training
- Duties of Franchisee
- Financial obligations - upfront fee/management fees/advertising
- Cooling-off period

Operations Manual

- Practical document - A-Z on how to conduct the business
- Policies and procedures
- Corporate identity - store layout
- Franchisor's IP

Trademarks

- 45 classes
- Franchising class

Summary

- Franchisor grants Franchisee rights
- Process: Consumer Protection Act /
Disclosure Document / Franchise
Agreement
- Operations Manual / Trademarks
- Time periods

EPISODE 2

DISCLOSURE DOCUMENT

Disclosure Document

- Disclosure of information
- Part of a process
- Consumer Protection Act
- Investigation

Disclosure Document (cont.)

- Consumer Protection Act - regulations
- Dated and signed by Franchisor
- 14 days

Info for a Disclosure Document

- Number of individual outlets
- Growth of Franchisor's turnover, nett profit for financial year prior to Disclosure Document
- Statement containing no significant changes since auditor's certificate

Info for Disclosure Document (cont.)

- Certificate by accountant / auditor certifying that:
 - Franchised operation - going concern
 - Franchisor able to meet its current and contingent liabilities
 - Franchisor able to meet financial commitments
 - Franchisor's audited AFS according to generally accepted accounting standards

Info for Disclosure Document (cont.)

- Written projections:
 - Levels of potential sales
 - Income
 - Gross or nett profits
 - Other financial projections

Info for Disclosure Document (cont.)

- A list of current Franchisees:
 - Names of franchised business
 - Names of representative
 - Physical addresses
 - Email / office telephone number
 - Statement that prospective franchisee may contact Franchisees / visit any franchised operation

Due Diligence

- 14 days
- Ask questions
- Speak to Franchisees

Summary

- Consumer Protection Act
- Contain relevant information
- Due diligence
- 14 days

EPISODE 3

FRANCHISE AGREEMENT

Franchise Agreement

- Part of a process
- Consumer Protection Act
- Disclosure Document

Franchise Agreement (cont.)

- Consumer Protection Act - regulations
- In writing / signed by franchisee
- 14 days cooling-off period
- No surprises

Info for a Franchise Agreement

- Cooling-off period - front page
- Direct / indirect benefits - compensation
from suppliers – inform / explanation
- Name / description of goods / services

Info for a Franchise Agreement (cont.)

- Obligations of Franchisor
- Obligations of Franchisee
- Description of business system
- Financial obligations:
 - Upfront fee / management / advertising
 - Set-up costs

Info for a Franchise Agreement (cont.)

- Territorial rights – premises
- Rights to assign
- Description of Trademarks
- Is there a Master Franchisor
- Training, i.e. initial and ongoing

Info for a Franchise Agreement (cont.)

- Advertising
 - Separate account information /
management accounts
 - Only for advertising
- Termination / renewal terms

Info for a Franchise Agreement (cont.)

- Details of the franchisor
 - Name / trading name
 - Registered address and trading address
 - Postal address / email / telephone and telefax number
 - Details relating to director/s
 - Shareholder/s

Info for a Franchise Agreement (cont.)

- Deposit – separate account
- If cancelled during *cooling off* period - full refund

Summary

- Disclosure Document - 14 days
- Franchise Agreement - 14 days
cooling off period
- Signed by Franchisee
- Consumer Protection Act - compliant
- Certain info

EPIISODE 4

MANUAL IP

Operations Manual and Intellectual Property

- Part of franchising documents
- Disclosure Document
- Franchise Agreement

Operations Manual

- Practical document A-Z on how to conduct the business
- Sets out the whole procedure
- Avoid broken telephone
- Dummies guide

Operations Manual (cont.)

- Set up business / photos / videos (clear / short)
- Simple: easy to find & navigate
- Online / hard copy
- Contact person
- Business evolves - manual evolves
- Confidentiality

Intellectual Property

- Creations: designs, symbols, names, images, inventions
- Common: copyright, trademarks, trade secrets, patents
- Purpose: reap commercial benefits
- Corporate Identity

Intellectual Property

- Register trade name / device / logo
- 45 classes
- Franchising class

Summary

- Operations Manual - the whole business model
- Detailed - simple
- Trademarks - register

EPISODE 5
WHAT MUST A FRANCHISOR
BE AWARE OF

Criteria for Franchisor

- Franchisor - Franchisee discussions
- Disclosure Document
- Franchise Agreement
- Manual / IP

Criteria for Franchisor (cont.)

- Discussions - application
- Franchisee selection: entrepreneur /
skills / financial ability

Consumer Protection Act

- Disclosure Document
 - Comply with Consumer Protection Act
 - With Franchise Agreement
 - 14 days

Consumer Protection Act (cont.)

- Franchise Agreement
 - Consumer Protection Act
 - Cooling off period
 - Deposit upfront fee into a separate account
 - Initial training / ongoing training

Now What?

- Communicate regularly
- Ongoing training
- Operations audit
- Notify franchisee on what to be done

Summary

- Consumer Protection Act
- Time period franchisee selection
- Communication / training

EPISODE 6
WHAT MUST A FRANCHISEE
BE AWARE OF

What Must a Prospective Franchisee Do?

- Franchisor / Franchisee relationship
- Franchisor establishes a brand
- Duplication
- Grants rights

What Must a Prospective Franchisee Do?

- Due Diligence of business
- Website / info / hello peter

What Must a Prospective Franchisee Do?

- Disclosure Document
 - Info / financial projections
 - Checked by accountant
 - Speak to existing franchisees
 - Ask questions

What Must a Prospective Franchisee Do?

- Franchise Agreement
 - Checked by an attorney
 - Compliant
 - Disclose all representations

Summary

- Due Diligence
- Process
- Consumer Protection Act