

Inquiry: The Operation and Effectiveness of the Franchising Code of Conduct.

This is a personal submission by Elke Meyer into the above inquiry.

In February 2016 I accepted a role as a Credit Controller with Retail Food Group at Southport. My role was to collect Gloria Jeans Franchisee arrears for various Franchisee payments as well as goods/ingredients purchased from RFG; rent; store renovations etc. I was also to collect from Australian Franchisees and overseas Franchisees. Another part of my role was to provide training in Credit Management Principles to other staff members as I had an extensive history in teaching at in-house and corporate seminars on The Psychology of Credit Management.

Within a very short period of time I took note of what I considered serious issues in three key areas of the business. I raised these with my manager on numerous occasions with little effect. I also raised them regularly with the Manager of the Employment Agency who placed me at RFG. I put numerous proposals forward to Management in an effort to improve these issues as I saw them.

Business Model

I formed an opinion regarding the business model RFG were operating under. My view was the business model could not possibly be sustainable long term. When a Company's staff and Franchisees are consistently disgruntled, stressed, and volatile; and your staff retention rate is incredibly low so you constantly have inexperienced staff dealing with issues the Franchisees have; it appeared doomed to fail in my opinion. The companies' motto was "Cash is King". My manager was very clear about this, despite my attempts at making her see it was creating a false economy as it was not sustainable long term if the Franchisees and staff were constantly unhappy and struggling.

Staff Retention, Morale & Training

I became aware from staff and other employment agencies that RFG had a huge staff turn-around, low staff retention rate, and RFG's opinion on this was that there would always be someone to fill their place. This seemed to show a complete lack of insight regarding the value of staff retention. Long-term staff knowledge is invaluable, and increases staff pride and ownership in their roles, thereby supporting the ongoing growth and development of the Company.

I saw very little of this mentality present among staff at RFG. It was a revolving door of trauma with the vast majority of staff disgruntled and negative.

There was one particular staff member who became so stressed and depressed during her brief time with RFG that she spoke of suicide. Her doctor then advised her that she had a severe life threatening ulcer which was being exacerbated by the stress of her role at RFG, and had to resign. She did. I provided ongoing support for her whilst she was at RFG.

I also regularly spoke to my manager on behalf of the other employees – with their knowledge – regarding their ongoing issues, and provided suggestions on how to improve staff morale, and therefore productivity. None of the suggestions were ever taken onboard.

As well as these issues, there was a distinct and obvious lack of training and support for staff, meaning Franchisees had very little adequate support for their ongoing concerns.

Franchisee Issues

During my time with RFG I noted a large number of Australian Gloria Jeans Franchisees I was contacting regarding alleged outstanding debts to RFG had very similar stories, and increasing levels of discontent and stress. Whilst it is normal for people to feel varying degrees of anger, embarrassment and denial regarding outstanding debts, the stories were disconcerting in the regularity of the content.

As a former police officer, my background is in investigation, so I thoroughly investigated each claim made by Franchisees against RFG. I came across

I became deeply concerned with the situation amongst an increasing group of Franchisees when a female Franchisee of a Gloria Jeans Franchise advised me she and her husband and 2 young sons had sat on the floor the night before and hugged, and her husband had decided to take his own life so they could get the life insurance and pay out their debt to RFG. There was an overwhelming sense of hopelessness among a lot of the Franchisees I dealt with, but this instance was the most extreme.

I immediately took this situation to my manager. While she initially appeared concerned and assured me help would be provided to the family, when I contacted the family a week later to see how they were going and to ensure someone had contacted them regarding support, the woman advised me someone had rung them, but only to get money from them. I again took it to my manager and she again assured me they would deal with it. I then prepared a write-off proposal for her and asked that it be signed off on to try to help them. It was. In my time at RFG I did this on numerous occasions in the most extreme cases.

I spoke with Franchisees daily who would tell me they believed they were lied to regarding the alleged profit the store they purchased was making prior to purchase. Many of them had not done their due diligence because they believed the company had credibility. Many of the Franchisees had purchased company stores and there were allegations made that the profit/loss paperwork was altered prior to sale.

I was also made aware of instances where RFG took over a store following an abandoned store – where a Franchisee walks away from the store due to financial issues. Following the takeover the store is generally run for a period of time by RFG employees, and then it is put up for sale.

Another common issue the Franchisees cited was the fact they had no ongoing support from RFG in the form of Business Development Managers etc. RFG fired every one and re-framed the role with significantly less staff. This meant the little support Franchisees previously got, was reduced even further. There were clearly nowhere near enough support staff on the ground to properly and adequately support the Franchisees despite this being one of the things Franchisees were charged for by RFG.

The Franchisees were also expected to pay for an increasing number of services and products allegedly provided to them by RFG. This was a bone of contention due to the common opinion that they were slowly, but surely, being bled dry by RFG. Franchisees overwhelmingly were working for no profit at all, and were losing money hand over fist. Stores were closing regularly.

There were also numerous instances of RFG breaching their agreements with Franchisees regarding competition stores being permitted to open within the distance the original Franchisees had been advised competition stores could be. This in turn meant their profits were severely affected, and stores ended up closing. This was particularly the case with Pizza Capers and Crust stores.

There were many other instances of issues from Franchisees against RFG and the staff of RFG.

I am prepared to elaborate as required, and hope this submission is of benefit to the investigation. The level of trauma I witnessed by the Franchisees and staff of RFG was unlike anything I have previously been part of. I left after 9 months because I could no longer function in that environment.