Inquiry into the Operation and Effectiveness of the Franchising Code of Conduct

Domino's Pizza Enterprises Limited's Supplementary Submission to the Parliamentary Joint Committee on Corporations and Financial Services – 19 June 2018

Introduction

On 4 May 2018, Domino's Pizza Enterprises (**DPE**) provided a submission to the Inquiry (submission 74) which provides a comprehensive overview of its business model, its relationships with franchisees and other stakeholders, the support it provides to franchisees, and its position and observations in relation to the Inquiry's Terms of Reference.

However, DPE believes it is important to provide a supplementary submission which addresses some of the claims made by two former DPE franchisees in their respective submissions – **Mr Kamran Keshavarz Talebi** (submission 17) and **Ms Devanshi Panchal** (submission 117).

In particular, DPE considers that Mr Talebi's and Ms Panchal's submissions contain significant factual errors as well as material omissions which are relevant to the accounts they have provided to the Inquiry (and previously through other public channels such as the media).

For the purpose of this supplementary submission, DPE has not attempted to address each and every disputed claim made in submissions 17 and 117, many of which it believes are anecdotal. Instead, DPE has highlighted the most significant factual errors and material omissions where existing documentation directly contradicts the claims its former franchisees have made in their submissions.

Submission 17 - Mr Kamran Keshavarz Talebi

Summary

- Mr Talebi makes numerous allegations about pressure to split his territory. Consideration with respect to splitting the territory was not one-sided. Indeed, there is correspondence demonstrating that both parties were engaged in mutual discussion and consideration of the best way to meet customers' needs in the territory. While DPE believes that it was in the franchisee's best interests to split the territory in order to meet the customers' needs and to increase the franchisee's revenue, ultimately, Mr Talebi chose not to split his territory. This was a decision that DPE respected.

- Mr Talebi claims that operational and marketing decisions taken at the time were contrary to the profitability interests of franchisees generally. In fact, over the period of Mr Talebi's operation of the store, sales and franchisee profitability generally improved significantly across the network on a same store sales basis.

- Mr Talebi claims that DPE mandated who his store should be sold to, and that he was forced to sell the store to a buyer of DPE's choice through unrealistic KPIs. This is not correct. Mr Talebi himself says that he was negotiating with other potential buyers. It is standard procedure for DPE to only approve or reject a proposed buyer once it is provided with a copy of the signed sale contract for the store, and this fact was communicated to Mr Talebi. In this case, the only signed sale contract provided to DPE was that signed by the eventual buyer. Mr Talebi was subject to the same operational metrics as every other store in the country.

- Mr Talebi purchased the store for $890,000 in 2014 and sold the store for $965,000 in 2016.

Claims

Franchisee claim / material omission	Contradictory evidence
Franchisee was told he would need to renovate the store at a cost of $100,000, and a request to relocate he store to Hornsby was rejected by DPE	The store was purchased directly from the previous franchisee in a refurbished condition for $890,000. The store was overdue for a refurbishment at the time of sale, and it was a condition of sale by DPE that the store had to be sold in a refurbished condition to any buyer at the seller's cost.
DPE withheld approval of the franchisee's application to purchase the store unless they sold part of their territory to DPE first	DPE rejects this claim. The territory for the store was not split during the tenure of the franchisee.
Franchise Agreements are provided at training when new franchisees are away from their lawyers and accountants	All copies of agreements are sent to a franchisee in the manner they nominate, whether that be sent electronically to their lawyer or delivered to them personally. All franchisees are encouraged to obtain legal, accounting and business advice.
$5 pizzas eroded franchisee profits	Average franchisee profits increased after $5 pizzas were introduced in FY14: $104k (FY14), $107K (FY15), $137K (FY16).
Forced to offer free pizza for not meeting time guarantees, and this was at the franchisee's cost	While a free pizza is offered where the order is not delivered in the appropriate timeframe, the franchisee will have received the guarantee payment to offset the cost of the free pizza.
Franchisee profit not in focus	This allegation is rejected. The primary focus of every Market Franchise Advisory Council meeting is sales, customer count growth and franchisee profitability for the relevant market.
New technology such as GPS driver tracker was purely a marketing tool which increased costs and operational risks without extra profit	Profitability increased after the introduction of GPS driver tracker. The technology has provided increased visibility of the delivery process, improving operations and driver safety.
DPE would not allow Mr Talebi to sell the store other than to the eventual buyer	It is standard procedure for DPE to only approve or reject a proposed buyer once it is provided with a copy of the signed sale contract for the store, and this fact was communicated to Mr Talebi. In this case, the only signed sale contract provided to DPE was that signed by the eventual buyer.
Pressure to replace freezers before sale was completed	As the seller, under the sale contract Mr Talebi was required to ensure that the plant and equipment in the store was operating properly.
DPE made defamatory claims regarding the franchisee	DPE never published any claims regarding the franchisee.