

SUBMISSION TO:

*THE PARLIAMANTARY INQUIRY INTO THE OPERATION AND EFFECTIVENESS OF THE FRANCHISING
CODE OF CONDUCT*

INTRODUCTION

[REDACTED]

Vast Interior is a failing brand that considers itself a franchise operation. The argument that we have with the franchisor is that the franchise does not actually exist.

The franchisor is actively selling into exclusive territories, and if they haven't sold into a territory the intent is to do so, through e-comm/website.

Media fund monies have been used to "pay-back" losses incurred by the franchisor through poor management decisions of the franchisor and to pay staff/offset salaries of other businesses of the franchisor among other things.

There are a multitude of issues associated with the agreements. There are also documented circumstances whereby the franchisor has told the franchisees that they are not needed, nor wanted. The franchisor has also openly stated that they would not be putting any resources into the franchise, and that any/all resources would be put into the roll out of new company stores, and the e-commerce site and finding and investing in new franchisees that will work with them.

As a group of franchisees, we have been abandoned, yet the franchisor continues to collect fees and media fund monies. Furthermore, if a franchisee needs something done from a marketing or media perspective the franchisee that has already paid to a media fund has to pay again at the rate of 60.00 per hour for any work to be done.

For all intents and purposes, there is no franchise operation. There is no administration, no business infrastructure, no marketing designed to benefit the franchisee, nor are there any other facilities that one would expect when operating as a franchisee. All franchisees operate independently, and have themselves built their business independently of the franchisor.

We strongly believe that the franchise is non-existent, the franchisor has abandoned the franchise, and that the owners of the brand are simply gouging what they can out of the franchisees without any regard for the franchisee nor the brand that they purport to administer.

The new owners/partners of the business are also involved Telstra franchises as franchisees.

At best we believe that the operation is a licence agreement or co-operative. We do not believe that the operation is a franchise and we therefore should not be bound by franchise agreements and or rules.

MY JOURNEY

As a relatively new franchisee to the group, I joined a franchise with the expectation of some degree of support, guidance, training and information being supplied to assist me with my new business venture.

There has been NO support, guidance or training. I have had to fend for myself, develop and grow my own business. The only connection I have with the franchise is the brand Vast.

Less than 3 months after I paid my territory fees, the original franchisor who had “sold” me the dream, took on new business partners that only had intentions of “pulling existing franchisees into line”, corporatising the brand and the business, opening company stores, and establishing a website and e-commerce site, that could and would sell into franchisee’s exclusive territories.

The fact that discussions with new “potential” franchisor partners was not disclosed to me, is obscure. This change in ownership had a dramatic effect on the business and the business type. There was a strong and aggressive push to get franchisees onto a new agreement.

I have now developed a business that is going well despite the fact that the head office has had little to no input into my business.

Shortly after becoming a Vast franchisee, the brand was changed, ownership was changed, and the business model was changed. The franchise was “sidelined” in favour of an idealistic company or corporate store business model coupled with an online/e-commerce website that did not and does not reflect the business type that I joined.

NOW AND THE FUTURE

This raises the question and brings into question the validity of the franchise agreement, and how this business can be anyone else’s apart from mine. The brand is owned by the franchisor, but the brand is unknown except for what I have developed...

Who really owns what? At the end of my franchise agreement it could be suggested that the franchisor can prevent me from continuing to trade and they can open a store in my territory without paying anything for it, therefore meaning I have essentially worked for the brand for free and taken all the risk.

I have asked numerous times for a business plan, as a franchisee I need to know what the future holds for the brand and for the business overall. I have asked for a 3 and 5 year plan. One would think that is a reasonable request. Unfortunately, all I have been told is that the plan is to make my business worth more. No details of just how this would be done. I have also asked for many standard business ideas, such as our product and price positioning, this has not been answered. All of this goes to the point that there is no franchise operation, there is no strategy, there is no administration. One could determine that in fact means that there is no legal franchise operation.

WEBSITE/ADVERTISING AND PROMOTION

When one joins a franchise they do not expect that they will have to compete with the franchisor, in our organisation that is the case.

The Vast website has been designed to sell to the consumer via the website. Whether that is or has been successful is irrelevant, the franchisor has the intent to sell to anyone anywhere, and another business called "OMNIFY" has been established to accommodate the online sales platform.

Furthermore, and the most damning is that the website is not representative of the Vast franchise store/s. it is designed to compete with the stores, it contains products that franchisees do not have nor knew/know about.

We have been encouraged to promote our store via social media, facebook, Instagram etc. I have no problem with that perse, however, the website details on the social media pages directs the consumer to the corporate/e-commerce site, and we lose potential customers at that point. We lose them for 2 reasons.

1/ The website is not representative of the franchise store.

2/ There is a strong presence of head office products, and there is very little reference to local stores. In fact it is difficult to know where to find a local store on the website.

In essence this means that my store's activity and costs are actually promoting and directing people to a website that acts in competition to me. This is extremely unfair, and unreasonable. This is in fact the opposite to what the situation should be. The head office/website should be directing or encouraging consumers to come to my store or other franchise stores.

Surely as a franchisee, the website that "represents" your store should be designed to drive customers into your store. Not to drive consumers to the head office and to buy from the franchisor.

CONCLUSION

The franchise code does not allow for a fair and equitable relationship between franchisor and franchisee. The "act in good faith" notion is not enforceable, as there is no clear definition of what that means.

There is unconscionable conduct which may be easier to prove, but the onus and legal cost is on the franchisee to prove this.

It appears that a franchisor, can sell a territory, take franchise and marketing fees and offer no service at all. They can threaten franchisees, breach franchisees, compete with franchisees, and act in any way they choose to act without any repercussions.

The definition of a franchise I believe is very loose. There needs to be a clear definition of what constitutes a franchise operation. If the franchisor does not meet those criteria they should not be able to sell "franchise" territories, they should not be able to take franchise fees and so on.

If a business model is a franchise both the franchisee and the franchisor should share in the success of a territory from the beginning. There should not be time frames associated with a franchise agreement as this is counter-productive to the franchisee and their future.

There should not be a situation whereby the franchisor can put so much pressure on a franchisee that they feel they have to close therefore leaving the "territory" open for a company store or to be re-sold to someone else. This is simply grossly unfair.

This is the exact situation at the moment. We are paying for no service, and in fact we are paying to have the franchisor compete with us. If we want to leave or change brands the franchisor can sue us, and/or open a store in the territory we have invested 10's/100's of thousands of dollars in.

If there is a brand involved as is the case with the Vast Interior business, it should be clearly identified for what it is:

1/ A franchise – Needs to be more and have more infrastructure than simply owning the Brand name
– A franchisor should have to prove how and why they are a franchise – it has to be based on more than a brand name.

2/ Licence agreement – If that's what it is, so-be-it.

3/ Co-operative group

With any of the above structures, there needs to be consultation, and a common goal. The franchisor or licensor should not compete with the franchisee or licensee.

I think different industries and different size businesses/organisations need to be viewed differently in order to establish the correct business type and operational model.

I look forward to discussing this with you further and as part of our submission to the Parliamentary Inquiry, as we believe that there is a clear case of a franchisor only "acting" or "pretending" to be a franchisor in order to deceitfully, take money from the franchisee.

Yours Sincerely,

[REDACTED]

[REDACTED]

Dear Committee, I am happy for any of this to be published. I would ask for my name and identifying information to be withheld