

My name is Kerrie Davies and I am currently a Franchisee and own a [REDACTED] Clinic in Townsville, Queensland. [REDACTED] is a weight loss and wellness company.!

My contact number and address is [REDACTED] You may be wondering why I have a business in Townsville and live in Brisbane. It is because the franchise can not support us financially and we need to live where my husband's place of work is.

My husband and I purchased an existing territory for \$260,000 in January 2006. We believed we did everything we needed to do as far as investigating the Franchise System based on the information that was presented to us. Our Solicitor reviewed the Franchise Agreement and believed it to be a stock standard document with the exception of extremely high franchise fees. Based on the financial reports that were presented to us, we felt that the business could afford these costs as long as we were able to maintain monthly sales targets. We planned to run the business ourselves but it was evident after we purchased that it was not a financial option and our game plan changed.

The people we spoke to in the franchise group gave us no indication that there were any problems and believed the slight decline in sales they had been experiencing in the last 6 months would improve for the better with obesity on the rise all over the world. Because we bought the business from an existing franchisee, the Head Franchisor absolved herself from all responsibility of having to tell us anything!

Only when we were part of the Franchise Group we were then made aware of the many problems within the group. There were many disgruntled franchisees because they felt there was no support given to the group in general. They believed they paid excessively high royalty and marketing fees with little support and minimal to nil national marketing to show for it. Sales had been in decline since mid 2005 and have never recovered to this day. It was apparent that no business plan existed, marketing plan or anything for that matter that would improve the brand and bring clients through the door. Many clinics had asked for Audited marketing and Sales reports over the years but no one in the franchise community has ever received a copy which they are entitled to under the Franchise Code Of Conduct. ACCC have been made aware of this fact but have done nothing to make this happen. Sadly, because the International Franchisor operating as the Australian Franchisor went into voluntary liquidation this information is no longer accessible by any Franchisee or creditors.

We felt very uneasy and sick to the stomach because during the next 6 months until June 2006 we believed the franchise was going under and that would be the end of our huge investment. If we had been aware of this information, our decision would have not been to buy into this group. This to me is criminal and unconscionable conduct.

The Head Franchisor's of Australia [REDACTED] and [REDACTED] (currently International Franchisor's) went into voluntary liquidation in July 2007 and a buyer was found to take over the Australian Franchise. Because they have taken the option of voluntary liquidation they are no longer held accountable for the demise of this group during the period of 2000 to 2006. However they still receive royalties from Australian Franchisees, UK, New Zealand, Canada and South Africa who are sneaking back into the market. They also sell stock to the clinics although under the disguise of business names! These people are originally from South Africa, and it was rumoured the

company did a nose dive there and Australia followed the same pattern as have all the other countries throughout the world. The current excuse is the Global Credit Crunch but here in Australia our economy has only just taken a downward turn. This has been one of the many difficulties ,because they always find excuses that are hard to disprove.

It appears the first round of investors stand to make a good profit because the product is in its honeymoon period but when the honeymoon is over, because there is no real system it doesn't work.

I have seen many a fellow franchisee have to close their doors and walk away with huge debts, ailing health and no money or energy to fight any more. I have attached a couple of emails of some examples of this. I could tell you many more stories.

Without going into the day to day running of this business in the two and half years I have been involved it has been a constant fight to get what we believe we are entitled to. Every day I wake up wondering what surprises they will throw upon us today. Will today be the day the franchise will close down for good. Sometimes I wish it would then the responsibility to my clients can in some way be justified.

So easily are franchisees blamed for their failings and I guess in some cases this might be true but for the majority of people I have had the pleasure of working with they are smart, dedicated hard working people with nothing to show for the work they put in. Whilst the person at the top takes the cream we the franchisee are left with curdled milk.

Franchisors get their royalties up front other wise you don't get the product so when things are tough and there is no money to pay these high fees, you are in breach of your agreement and ultimately lose access to the product you need to sell. It is a viscous cycle.

They can always show evidence that they are doing things to improve the group but nothing ever flows down to the franchisee. As long as they can prove to the ACCC then that's ok!

You could call me one of the lucky ones because I am in the top 5 % of clinics in Australia. Sounds impressive but believe me there is not much difference with the top and bottom and because my husband works a real job, there are others who aren't so fortunate to have money coming in to top up the business.

Many an exchange of words have been had with the [REDACTED] and the existing Franchisors. Many franchisees have offered their expertise in different facets of the business that has been turned away.

We the Franchisee have a vested interest in the company because it is our livelihoods but it seems the laws are in favour of the Franchisor! And we have no say or no money to fight back.

The [REDACTED] afford a barrister and legal assistance from a well respected law firm in Melbourne. Isn't it ironic that it is our money, contributions, royalties etc that pay for this luxury for them.

It is time Franchisors are made accountable in this country. Too many people's lives are shattered but who helps them to pick up the pieces.

Our International Franchisors have set up there business's in tax free countries so the law cannot touch them. These criminals are allowed citizenship in our country and hide behind the laws of our country. They can show they have no money, but when you can afford to live on the Northern Beaches of Sydney drive a Mercedes Benz and travel overseas, life must be tough!! .

One could rattle on forever but even sitting here trying to put words to paper makes me feel sick. I hope this enquiry at the very least shakes all these bastards up and give the decent hardworking people the avenues and ability to stand up and be heard.

I know I will never recover my debt and I can hold on for a little longer. But once again when I forfeit my territory, some other unsuspecting person will come along and the cycle starts again.

I have attached 3 recent stories but there are many more.

Kind regards,

Kerrie Davies

Hi Kerrie,

Thanks for your two emails - they make a fascinating read and I've got to say not a whole heap of surprises.

I've had the Croydon [REDACTED] for four years as of March 2007 (I return to this point later) and got wind of the Australian problems in 2006. When I raised it with [REDACTED] UK they denied all knowledge of it.

In the terms of the [REDACTED] market here and my own [REDACTED] performance, in a very eerie way they both mirror yours and Australia's. In March 2006, after 6 - 8 months of very poor trading, I made a conscious decision to close within a month unless things improved. With no practical help from [REDACTED], I managed to turn things around quite dramatically overnight, by introducing a whole series of initiatives. At the time we were one of two [REDACTED] that were struggling - the other one closed within two months. By the end of that year only one other [REDACTED] out-sold us for the whole of the calendar year. We went on to have 21 months of record sales, month-on-month. By the end of 2007 we had the 3rd highest sale of new programmes and I believe the highest turnover when you include all sales and [REDACTED]. Despite this, even after all the debts were cleared I was barely making a profit and certainly not making a living.

Generally though, UK sales have been far from great. Many [REDACTED] operate way below breakeven with little real direction from [REDACTED] in getting the most from the business - to be fair I don't think they have a clue. We've had three [REDACTED] close this year and many more will follow shortly - read on.

By profession, I am an accountant and I have (had) my own tax practice. [REDACTED] started off as a front office operation but gradually the aim was for me to move from doing my accounting to running businesses - including [REDACTED]. In the end [REDACTED] needed more of my time if it had any chance of progressing to the next level - especially as I began to employ staff to do a lot of what I was previously doing.

For about 2 years, I have done massive amounts of research, I have got involved in huge amounts of networking and I have [REDACTED] Croydon posted on the intranet of some large Croydon businesses. At Croydon we have been very pioneering in our approach to doing the business on a day-to-day basis and getting [REDACTED] clients in. We have been a source of reference for other UK [REDACTED]. Despite this we have been constantly blocked by head office. They have often recycled a lot of what we do here under their on badge to the wider network!!!! I have been very vociferous in my public criticism of the whole set up. Many [REDACTED] approach me in Croydon as opposed to [REDACTED] for business solutions.

Over the years, I've got costs well under control and wherever possible I source stock from people other than [REDACTED] at far reduced costs (we've really been stitched up by [REDACTED] but don't get me started on that one). Despite this, and because of the very high royalty charges, etc. I make very little for myself. This time last year, in the midst of buoyant sales, I totally restructured my business and produced a business plan which included 2 new [REDACTED] with all the main overheads (computers,

telephones, stock control) restricted at my the Croydon [REDACTED] - the new [REDACTED] were to open in a gyms and doctors surgeries with relatively accommodation costs. I also took the long overdue decision to stop my tax consultancy.

After many months of humming and arring, cutting a very, very long story short, [REDACTED] decided to tell me where I should open a new [REDACTED]. Basically we have only one [REDACTED] in central London (daytime population of 8.5 million) - they decided I could not have a [REDACTED] in London.

Fed up with the politics and rather than being dictated to, last September I advised [REDACTED] I was going to sell up. I have had four potential buyers since but nothing has come of it - the accounts speak volumes.

Not able to find a buyer, I refreshed my business plan and gave my self 6 months to get sales from Croydon to a very ambitious level which would have paid me a decent income and freed up some of my time to explore other opportunities. Up to December (pre-the worldwide credit crunch), this was actually going quite well. Since 2008, Croydon sales and even more particularly in the rest of the UK has been absolutely toilet. To compound matters, 2 months ago [REDACTED] decreed that all adverts are to produced centrally. Enquiries in Croydon have since fallen by 75%!!!!!!! Cashflow has gone the same way!

Part of my grand plan in December was to do more with companies - I've been getting some spectacular successes with some very big [international] companies. If you're interested I will provide details. I also organised a 4th anniversary celebration (actually for tomorrow) being attending by the town's mayor, past and present staff, local press, [REDACTED], etc. Part of the idea of this was to kick off a series of [REDACTED] Roadshows taking place in Croydon companies. The grand plan also included targeting [REDACTED] and [REDACTED] etc. and also networking with [REDACTED] overseas - hence my email to you and others.

BIG BUT

With the business slow down - I am now nowhere close to where I need to be by that end of June and have no prospects of getting there by that time if at all! With continued wrangles with head office, no time for myself, etc., etc. I took the decision a month or so ago to call it a day, irrespective of whether I get I buyer and before I get myself more indebted. Instead, I intend to use all the new skills and experience that I have acquired over the last few years to focus on a business with higher net profits. I have loads of friends and family in business. Few bring the same level of skills to the table than I do, few are required to work as long or as hard as I do but most, if not all get more fruits from the efforts.

I have not yet informed my remaining staff of the situation as no date as yet been agreed (THEREFORE NOT A WORD TO A SOLE PLEASE!!!!!!!) I have informed head office and there has been a flurry of activity. However, because of my open day tomorrow and the conference over the weekend, we've put things on hold until then.

They are keen to capitalise on a lot of the work that I've done with Croydon companies whereas I am very reluctant to sell any more given that I could be off with very little notice.

Why then, you may ask, am I networking with [REDACTED] around the world? Well basically, I have been talking to other UK [REDACTED] about all that I've been doing. I have been asked, as a parting gift, to set up this network and one of them will step forward and maintain the dialogue.

Your emails have been extremely interesting. They are on all fours with my own view of the [REDACTED] business. I would dearly love to pass an 'blinded', anonymous version to other UK [REDACTED] - its really compulsory reading. However, I will only do that with your permission.

For that matter, amid the inevitable ra-ra this weekend, I'd love to pass a copy on to [REDACTED] (again, all identifying information removed). Again, only with your permission.

Now you are up to speed on the UK perspective. Hope to speak to you soon. All the very best.

With kind regards,

[REDACTED]

Hi there Kerrie

Well it has been a while since we last updated each other with what's going on so I thought I would tell you what's happening with me. On Friday of this week I am walking out of my [REDACTED]...drastic I know... however it is the only way at present I can see to save the credibility of [REDACTED] here in Canberra. I have basically given my territory to the owners of the Civic [REDACTED] here in Canberra. So now there won't be 2 [REDACTED] competing against each other here in the Canberra region, they are coming in to my [REDACTED] so all clients will be looked after! If you combine both our [REDACTED] the sales would be up in second spot - so in theory one [REDACTED] has the possibility of really doing well. Interestingly enough when I emailed [REDACTED] to tell her what I was doing I didn't even get an acknowledgement or reply..she obviously doesn't appreciate the fact I am walking away with nothing after investing hundreds of thousands in [REDACTED] I wish you all the best and hope that when the 8 point plan does come into play it will help you to thrive!

Hi Kerrie - just a quick hello from home so that you have our personal e-mail address should you want it. We also wanted to say once again that we will eventually get to Brisbane and would very much like to see you; if Richard has time we could also get to meet him.

Thanks for the call on Saturday morning - Colin filled me in on the news and we were further relieved to be getting out in spite of our huge loss; we can only imagine that this news has sent further panic throughout the group. Though David is only paying us \$30 000 for our [REDACTED] it will cover our overdraft and tax bill. We have no way of ever recouping our huge loss of \$470 000 (half ours, half my sister's and her husband's) but we have to move on and be as positive as possible that the future will hold some kind of jobs for us so that we can survive! Needless to say the take-over was a shambles, thanks to them leaving everything to the last minute. We'll fill you in on details at another time as we have a meeting to get to just after lunch, so I'm in a rush. As much as we would like to say that we see a future for the company, sadly we can't. We sincerely hope for you and the other decent [REDACTED] owners (not all of them!) that things do take a turnaround and if not that you manage to get out before you lose literally everything. I must say that whilst we have to move on, it's a bit difficult to totally get everything out of our systems within just a few days considering that the [REDACTED] was "our baby" for four years and like you, we put our heart and soul into it, not just our life savings.

[REDACTED] called us on Monday to chat - you should perhaps get in touch with her. She has the same ideas as you and we have had for a long time - she also had a run-in with [REDACTED], quite an ugly one. You are both strong and determined and if you combine forces you can perhaps apply more pressure.

We look forward to eventually catching up with you. We leave on Saturday for three weeks in the UK; what a tonic it will be for us after all the stress! I also get to have a full month's break from chemo - how exciting!!

Take care! Fond regards

Colin & Chris