Franchise probe bid

BUSINESS OWNER

CLAIRE HEANEY

THE Franchise Council of Australia has asked the Australian Small Business and Family Enterprise Ombudsman to look at the sector amid ongoing concerns about failed franchises.

The move comes amid a clamour for a parliamentary inquiry following scandals over the mistreatment of franchisees by chains including 7-Eleven, Domino's Pizza Enterprises, Pizza Hut and the Retail Food Group.

But council chairman Bruce Billson strongly defended the sector, saying it was not "broken" or "defective". Mr Billson said he requested Ombudsman Kate Carnell look at aspects of the Franchising Code of Conduct covering fair dealings and dispute resolution.

He said the code had extensive safeguards. But he questioned whether people were doing enough research before investing, swept up in the excitement of running their own businesses.

"My benchmark is for every dollar you are going to spend on a franchise, spend an hour on due diligence," he said.

Mr Billson said the inquiry, if the Ombudsman approved, would "seek to identify any gaps or deficiencies in this extensive regulatory framework with the view to recommending any necessary regulatory change, adjustment to agency operations, public education and awareness campaigns or industry-led initiatives, having considered a thorough assessment of the likely impacts".

The inquiry, he said, would ensure the current "franchisor versus franchisee" narrative was replaced by "clear-headed and considered insights".

He said that while there had been some less-than-positive experiences for some aspiring small business entrepreneurs, the sector was successful.

"It's also damaging to the vast majority ... who have positive experiences with franchising and who are now concerned about impacts on asset values, resale prospects and reputational harm."

The franchisee model drove $1 in every $11 of gross domestic product in Australia, Mr Billson said, which "supported by a comprehensive regulatory framework, enables 1100 franchise brands to support 80,000 customer-facing franchise businesses employing 460,000 Australians."

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WORKING HOLIDAY LIFESAVER

CLAIRE HEANEY

Lewis, 10, leads the pack at a Team Holiday program on Elwood Beach; (left) founder Tom Hoath. Main picture: EUGENE HYLAND

IT'S the bane of most working families. Trying to juggle three months of school holidays when you might only have a month's leave each year and no extended family to help.

Team Holiday founder Sam Hoath said many companies were now offering to ease the pressure by including some childcare in employment packages.

He said companies could build in a range of subsidies for staff, increasing employee loyalty and productivity.

Launched in 2011, Team Holiday offers holiday programs that can be delivered on site, if businesses have suitable rooms, or at other venues.

"In some industries is hard to keep talent but this program is one way that businesses can fast track their way to becoming an employer of choice," Mr Hoath said.

"It also helps to reduce employee stress because they know their kids are having loads of fun in a safe, supportive and educational holiday care program."

Mr Hoath, who is a trained schoolteacher, started the business initially to provide school holiday activities but added before and after-school programs last June.

"I was working as a teacher and I was seeing as holidays were approaching parents were saying how much they hated school holidays as they tried to juggle full-time work commitment s with trying to entertain the children," he said.

Mr Hoath launched his first holiday camp at Haileybury.

"I didn't want it to be babysitting," he said.

He said around 100,000 primary school-aged children were now cared for at about 70 locations in greater Melbourne, at Geelong and Bendigo, on the Gold Coast and in Sydney.

The programs are delivered at schools, corporate offices and other suitable venues.

"(Holidays) can be a very stressful time for working parents so we have worked with companies to come up with a solution that not only aims to position them as an employer of choice, but also lifts productivity, reduces sick leave and carers leave, and improves job satisfaction and workplace culture."

Team Holiday has formed partnerships with the AFL, Etihad Stadium, the Department of Education and Training, Melbourne Cricket Club and the Collins Square office complex.

Mr Hoath said demand for care was highest in autumn, which tended to creep up on families.

teamholiday.com.au

Tie-up to Ignite our bright sparks

A COLLABORATION between business and academia is seeking to fast track the commercialisation of Victorian innovations.

It is hoped the partnership between the Victorian Chamber of Commerce and Industry and Deakin University, launched yesterday, will provide a much-needed boost for the economy by nurturing clever businesses.

Chamber chief executive Mark Stone said the program aimed to reverse the "disappointingly low" collaboration between the sectors.

Every year, only 9 per cent of Australian small and medium-sized businesses brought a new idea to market, he said

Mr Stone said the program would also seek to "affirm Victoria as the knowledge capital of Australia", encouraging more of the state's business leaders to partner with universities to develop innovative products, services, business models and processes.

Called Ignite, the program would endeavour to build on moves to attract more students, particularly women, to study the key STEM subjects of science, technology, engineering and maths.

Further, it would aim to attract talented overseas students, and businesses and investment to Victoria, he said.

Deakin University vice-chancellor Jane den Hollander said the program offered a link to investors to turn ideas into commercial reality.

Mr Stone said Victoria had a track record of smart ideas and clever thinking.

"Think of the first flight recording system, perhaps better known as the "black box", the invention of the Cochlear implant, the revolutionary use of lithium as a mental health treatment and the development of polymer banknotes."

CLAIRE HEANEY

Nine has a profitable solution in the pipeline — for now

THE SHORT CUT

with ANDREW MACKEN

WHILE Seven West Media was covering the Olympic Games in PyeongChang in recent weeks, it was rival Nine Entertainment that won gold during the Australian earnings season.

Prior to this six-month earnings period, Nine's television business — which accounts for nearly 90 per cent of group revenue — had delivered four consecutive half-year periods of contraction, shrinking an average of more than 5 per cent a year.

In the six-months to December, Nine's television business delivered 10 per cent growth.

What makes this growth even more remarkable was that it was achieved on a cost base that did not grow. In fact, Nine's television business slightly cut its operating costs compared with the same period last year.

This resulted in the segment's earnings before interest, tax, depreciation and amortisation growing by a staggering 57 per cent per annum in the period.

These results took the market by surprise, the stock rallying 16 per cent on the day of the announcement.

Why was it so surprising to see Nine Entertainment doing so well? The answer lies in the structurally challenging environment in which all free-to-air television operators find themselves.

You see, any FTA provider buys (or creates) content that is hopefully popular with viewers and sells advertising off the back of this viewership.

Today, advertising budgets are being increasingly allocated to the Facebooks and Googles of the world, which provide highly specified targeting, typically resulting in significantly higher return per advertising dollar spent.

At the same time, television viewership in general is starting to wane, especially among younger generations.

And on the content side? Costs of high-quality produced television content are growing structurally. In 2016 alone, Disney, NBC Universal, Netflix, Time Warner and CBS spent more than $50 billion on television programming. And this does not even include Amazon, Facebook and Apple.

How does an Australian FTA network with "only" $1.4 billion in annual revenue compete with these global behemoths?

Well, Nine has built a pipeline of programming that is popular amongst Australian viewers — even Millennials — but relatively cost-effective to produce.

On its conference call with investors, chief sales officer Michael Stephenson called out shows such as *Australian Ninja Warrior*, *The Block*, *Family Food Fight* and *Hamish & Andy* — shows that have been driving Nine's growth in ratings and yet, are significantly cheaper to produce than, say, *Game of Thrones* or *House of Cards*.

This pipeline has been successful in driving Nine's top line back to growth, while keeping cost inflation in check. So where to from here?

Hugh Marks and his team appear to be doing everything right. Their success in generating a pipeline of content that would translate into profitable growth has been extraordinary.

And, through Stan and other initiatives, they are trying to evolve the business in line with how their audiences are evolving.

Does this mean success is assured? Far from it.

The fact remains that elsewhere in the world, audiences are rapidly turning away from the FTA model.

The cost for a viewer to switch to Apple TV, or Netflix, or Amazon Prime is low. And the quality of content on these platforms is typically high.

If Australian viewers follow in the footsteps of their global counterparts, life will become increasingly difficult for our television networks.

ANDREW MACKEN IS MONTGOMERY GLOBAL CHIEF INVESTMENT OFFICER