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General News

By: Anthony Sibillin

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HEADLINE: Less is More**AUTHOR:** Anthony Sibillin

Australia is the world's most franchised nations but unlike similarly heavily franchised countries, it has few multi-system franchisors. Professor Lorelle Frazer at Griffith University's Asia-Pacific Centre for Franchising Excellence, argues that many of Australia's smaller franchise systems will not survive but some may benefit from mergers. Among companies seen as potential "joiners" are Allied Brands, RCG Corporation, Franchised Food Company and Retail Food Group. Shane Radbone, chief executive of Allied Brands, which recently added the Villa & Hut homewares and coffee chain to a list of businesses that includes Baskin-Robbins, Cookie Man and Kenny's Cardiology, agrees that the sector will see rationalisation. Allied Brands has also incorporated the Coffee Bean and Tea Leaf chain into Villa & Hut, plus the Freedom Home & Café and Bayswiss Stores of Steinhoff Asia Pacific, which owns the Freedom, Bay Leather Republic and Snooze chains, and runs the Awesome Water and Awesome Entertainment franchise systems. Like Allied, Retail Food Group, also supplies products to its own franchise systems, which include Donut King, bb's café, Brumby's Bakeries and Michel's Patisserie. While noting the benefits of merged structures, Ian Krawitz at research consultancy 10 Thousand Feet suggests that companies have been slow to join due to the reluctance of many entrepreneurs to hand over control, perhaps due to the patchy history of multi-system franchisors in Australia. In 2006, Australian Securities Exchange-listed RCG Corporation, then called Retail Cube, found its successful The Athletes' Foot business was threatened by its Amazing Paints and King of Knives franchises. A new board narrowly averted insolvency and is now cautiously rebuilding, acquiring the licence for Merrell footwear and purchasing the Shoe Superstore. RCG executive director Michael Cooper notes that the company's previously diverse portfolio saw it competing against dominant retailers such as Bunnings and he notes they do not want to go down that route again. Franchise Entertainment Group also focuses on a single industry with its Video Ezy and Blockbuster systems dominating the DVD rental market while last year it also purchased the ezyDVD website and 40 stores. The Franchised Food Company's executive chairman, Michael Sherlock, wants the company to

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stick to the "quick treat" market and recently added the Cold Rock ice cream franchise to its Mr Whippy and Pretzel World systems and is on the hunt for more opportunities. RCG's Cooper believes the sector will see consolidation as existing owners move on while Allied's Radbone suggests that new less-established franchise systems may be happy to have Allied take them on.

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MENTIONS: Griffith University, Bunnings, Australian Securities Exchange