

**From:** [REDACTED]  
**To:** [Franchising Review](#)  
**Subject:** Submission for Franchising review  
**Date:** Friday, 29 September 2023 11:38:58 PM

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**I am happy to have my submission published however I do not wish to disclose my details as I am genuinely concerned that I will be targeted and bullied for speaking out against the Franchisor. I am happy to provide further information or clarification in confidence if required.**

**Thank you.**

As a long term franchisee of Red Rooster I have been subjected to unfair treatment, lack of support, targeted bullying and intimidation by the Franchisor. It is my view the Franchising sector needs to have stronger and reformed regulations with improved support and protection in place for Franchisees, particularly when they are in a vulnerable state.

There are rightfully numerous regulations and legislations in place for the treatment of employees in Australia, such as their rights to be treated fairly, equally, without prejudice, and to be compensated according to minimum guidelines with basic humanitarian rights. Franchisees are not always subjected to the same rights, and are often exploited by Franchisors who use the Franchise Agreement as a way to force them into severe mental health decline, financial hardship, excessive capital expenditure, having to work long hours to keep costs down and subjected to low margins which make it hard to achieve any profitability. There is little to no support provided by the Franchisor when required, and Franchisees are suffering from burnout, mental health concerns and no work life balance. Support is also not given when the Franchisee is struggling financially due to both external and internal factors preventing them from achieving profitability, and also left to trade with significant losses.

I have been subjected to all of this and more and wish to highlight some areas of concern:

1. Disclosure of kickbacks

Craveable Brands who are the parent company of Red Rooster Foods Pty Ltd, have deliberately developed a wholesale model whereby Franchisees are required to purchase the majority of food supplies through the Franchisor directly. Prior to this the Franchisor had provided disclosure on kickbacks, however under this new model the Franchisor can legally not disclose this income. There should be a cap on the level of kickbacks the Franchisor is entitled to, and/or greater transparency. The Franchisor is disproportionately receiving income on goods purchased by the Franchisee, whilst the Franchisee is struggling to achieve profitability, and in some instances is forced to provide goods at a loss (ie. during marketing campaigns, with providing delivery services etc).

2. Property/Lease issues

The Franchisor is re-negotiating leases which are unaffordable for Franchisees, and also do not align with the terms of the Franchise Agreement. Franchisees have little say in the

process.

### 3. Capital expenditure

Intimidation tactics and threats of exercising breach notices as per the Franchise Agreement are being used to force Franchisees into renovations and other significant capital expenditure, despite the Franchisor being aware of the Franchisees financial position in not able to service payments. Declining margins also make it very difficult for Franchisees to obtain finance.

### 4. Low margins/high cost of goods sold

Craveable Brands are failing to demonstrate a collaborative approach to increasing Franchisee profitability and are not providing Franchisees with sustainable profit margins. Currently the gross profit margin is sitting at around 60.4%. This is in part disproportionate to the kickbacks received by the Franchisor.

### 5. Dispute resolution

When an issue or a dispute arises the Franchisor is quick to ignore concerns by Franchisee and will justify their actions and act in an intimidating manner. I recently reached out to the ACCC who whilst were very helpful and understanding, were unable to provide any direct assistance. They suggested I contact the ASBFEO who said that I would need to lodge a 'notice of dispute'. However I was left unclear on the process and also advised there was little that they could do other than setup mediation which would be at a cost to my business. Red Rooster uses their in house legal counsel to intimidate and exploit Franchisees and many others including myself are left feeling hopeless to do anything as we can not afford the significant legal fees to stand up for ourselves.

As a Franchisee I have been the victim of intimidation and bullying from the Franchisor by being pressured with harsh and unrealistic audits, issuing breach notices and letters of concern and deliberately showing a lack of direct communication resulting in unconscionable conduct. [REDACTED]

[REDACTED]. I have been made to feel patronized, chastised and belittled and left feeling alone and with no support. The Red Rooster brand in my opinion does not act in good faith towards me as a Franchisee. This has left me with severe mental health issues, burnout and financial hardship. The Franchisor has continued to place themselves at arms length to avoid any responsibility and has often added undue stress and pressure to an already critical situation.