# Strategies for avoiding disputes in franchise agreements

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# Introduction

- Increased frequency and franchisee involvement
- Cost of litigation
- Duty to ‘police’the network

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# Drafting Issues

## DON'Ts

- One sided provisions
- Undisclosed mark ups or benefits
- Insert fees in the manual
- Give the franchisor discretion to set fees

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# DO's

- Insert franchisor protections on bringing a claim
- Set out dispute resolution process
- Franchise advisory councils?
- Set out relationship between the parties
- Use bank guarantees, personal guarantees, advanced payments and letters of credit?

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# Managing Relationship

- Lack of respect/poor communication
- Franchisees not employees
- Monitor/enforce/franchise agreement
- Franchise satisfaction surveys
- Inexperienced staff
- Franchisee profitability
- Franchisee's 'comfort zone'

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# System Design

- Misrepresentation
- Ombudsman
- Monitor:
  - Issues
  - Disputes
- Compliance with franchise agreement
- Involve franchisees in marketing etc
- Change audits/inspections to guidance
- Resale process
- Explain what fees received from franchisees are used for (?)

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