

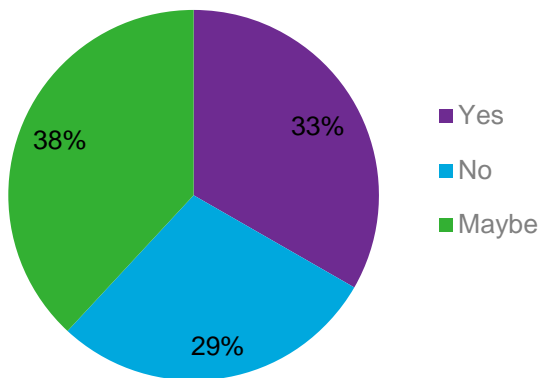
Franchise Action Group

Survey results

Franchisors' views

We asked for franchisors' views on how these changes might affect their businesses. In our survey, which closed in February 2017, franchisors told us the following:

1.



Would franchise businesses consider introducing fixed or minimum resale pricing if this was permitted?

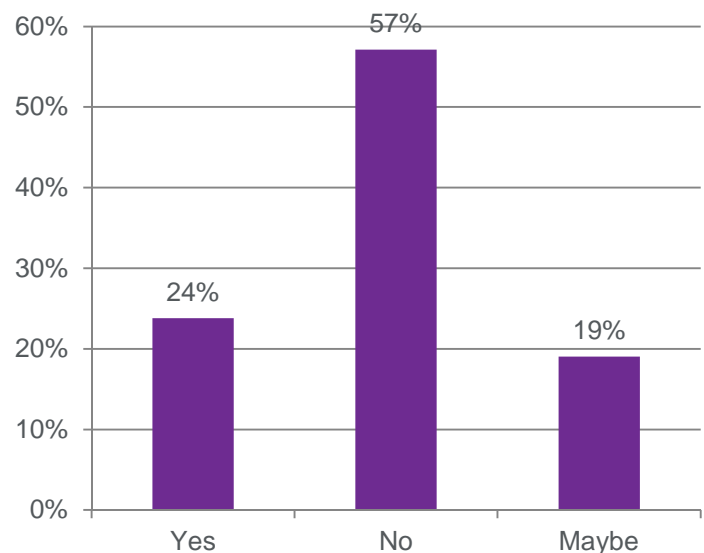
Only **one-third of respondents** thought their business **definitely would consider doing so**, even though franchisors would be able to compete more effectively with corporate chains, which can already set prices across their networks.

Others thought it **risked eliminating competition in the market**, or that it might be problematic outside the EU, where control over franchisee pricing may remain illegal under local competition laws.

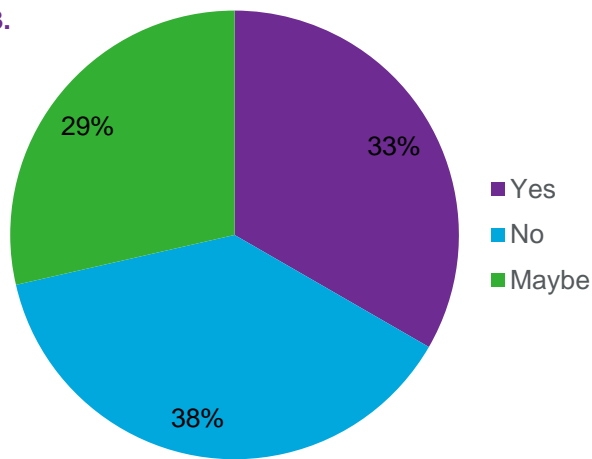
2. Would franchise businesses wish to restrict franchisees' use of the internet as a sales tool?

Over half of respondents said no. Although respondents welcomed the ability to control and standardise franchisees' use of the internet, most recognised the importance of internet sales for franchisees and customers. **90% of respondents agreed that they would not prohibit all online sales by franchisees.**

As internet sales are generally classed as "passive" sales for competition law purposes (where the franchisee responds to a customer request), the franchisee can **compete in territories exclusively reserved to another seller** through online sales into those territories.



3.



If they could, would franchise businesses prohibit sales by franchisees outside their territory?

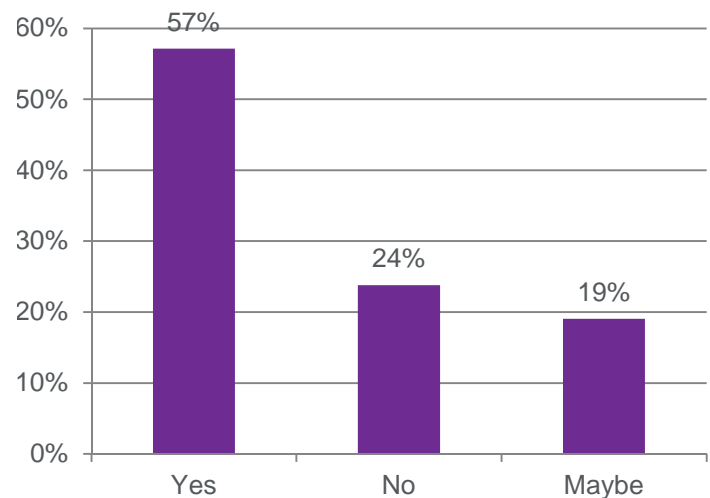
Our survey results were **not conclusive**, with diverging opinions depending on the industry in which the respondents operate and whether franchisors currently operate models which grant exclusive territories to franchisees.

Some franchisors who would not prohibit extraterritorial sales noted that **allowing franchisees to compete in this way promotes competition on factors other than price**, such as customer service, which benefits the brand overall.

4. Would franchise businesses prefer to impose mandatory use of their website or booking/sales platform on franchisees?

57% of respondents said yes. Brands are often best promoted through consistent branding, which can increase consumer trust and confidence in the brand. Use of a common platform also gives the franchisor increased control over the use of its trademarks.

Of those who disagreed, respondents stated that **franchisees may need freedom to develop local language alternatives** in some markets, while, in others, customers prefer **a choice of sales channels**.



5. Use of a uniform disclosure document was welcomed by 86% of respondents. Several member states already require mandatory pre-contractual disclosure, and a uniform disclosure document would reduce the administrative burden placed on franchisors. However, a minority of respondents considered that mandatory disclosure wastes time and increases the cost of granting franchises, with little benefit to either the franchisor or the franchisee, so should not be introduced pan-EU.

6. 71% agreed that franchisees should be required to take legal advice before a franchise agreement could be valid, but 57% of respondents disagreed with the proposed introduction of a cooling-off period. Some respondents considered that a cooling-off period is unnecessary as both parties can withdraw during negotiations. Others were concerned with the franchisee's ability to cancel a contract after receiving confidential information, although the level of sensitivity around such information may vary considerably by industry.

If you have any queries on this topic, please contact Babette Märzheuser-Wood, Head of Franchise Group (babette.mwood@dentons.com) or Adrian Magnus, UKMEA Head of Competition (adrian.magnus@dentons.com).