

# FRANCHISE COMPLIANCE

## GERMANY

## **LEGAL INFORMATION**

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# CONTENTS

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04	<b>Preamble</b>
05	<b>Rules of fair franchising in Germany</b>
05	<b>The life cycles of a franchise partnership</b>
05	<b>Franchising model</b>
06	<b>The German Franchise Association</b>
07	<b>The German Franchise Institute</b>

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**Franchise Compliance for Germany also includes the following documents, which are separately available to members of the German Franchise Association:**

## **“Mandatory” rules**

Must be complied with in order to meet the association’s standards

1. Articles of Association for the German Franchise Association
2. Code of Ethics
3. Code for franchisees
4. Code for consultants
5. System check guidelines
6. Guideline for precontractual information

## **“Optional” rules**

Recommendations of the German Franchise Association to ensure fair franchising within franchise systems

1. Franchise agreement checklist
2. Franchise system checklist
3. Checklist for precontractual information
4. Template for an advisory council directive
5. Guidelines for an advisory council directive
6. Template for cancellation policy
7. Guidelines and pamphlet for mediation
8. Statutes and pamphlet for ombudsman procedure

## **Guidelines**

1. Practical guidelines for establishing a franchise system
2. Succession regulation in franchise systems
3. Financing primer for franchise founders
4. Financing primer for current franchisees
5. Guideline for internationalization
6. International Franchising - A Guide for Franchisors entering into the German Market
7. PR guidelines
8. Social media guidelines
9. Marketing budget guidelines
10. Lead generation guidelines

# PREAMBLE

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Quality and ethics in collaboration between franchise partners are essential components of a functional, competitive franchise system. The members of the German Franchise Association belong to a community of quality and feel committed to the so-called code of ethics in their commercial activities. In *Franchise Compliance Germany*, you will find all the recommendations and guidelines which franchisors and franchisees need for successful work and long-term partnerships. In order to ensure appropriate use of *Franchise Compliance Germany*, this guide is divided into "mandatory" (policy) and "optional" (recommended) regulations. This strengthens the forces of self-regulation in the franchise economy. The enforceability of *Franchise Compliance Germany* is guaranteed accordingly, because in case of violations against the directives ["mandatory" rules] detailed in *Franchise Compliance*

*Germany*, the Germany Franchise Association has the option of imposing sanctions on its members.

*Franchise Compliance Germany* is a guide for the "life cycle" of a franchise partnership. In this context, the cycle can be divided into four, distinct phases: the familiarization phase, the contract negotiation phase, the partnership period and the period after the end of the franchise relationship.

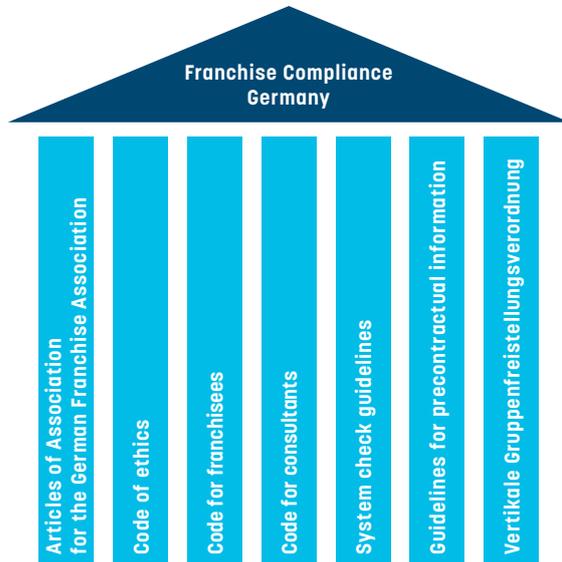
With the consistent establishment and strict implementation of *Franchise Compliance Germany*, the German Franchise Association is expanding its role as a leading community of quality within the German franchise economy. Franchisors and franchisees can collaborate more effectively and smoothly, benefiting from mutual sustainable economic success.

# RULES FOR FAIR FRANCHISING

## FRANCHISE COMPLIANCE GERMANY

### MANDATORY

Must be complied with in order to meet the association's standards



CODE OF ETHICS FOR THE GERMAN FRANCHISE ASSOCIATION

### OPTIONAL

Recommendations of the German Franchise Association in order to ensure fair franchising within franchise systems

1. Franchise agreement checklist
2. Franchise system checklist
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# THE LIFE CYCLES OF A FRANCHISE PARTNERSHIP

## FRANCHISE COMPLIANCE GERMANY

### START

of the franchise partnership/contractual negotiation

- Guidelines for precontractual information
- Code for consultants
- Code for franchisees
- Franchise agreement checklist
- Franchise system checklist
- Financing primer

### DURING

the franchise partnership

- System check
- Vertical block exemption regulation
- Template for an advisory council directive
- Code for consultants
- Code for franchisees
- Guidelines and pamphlet for mediation
- Statutes and pamphlet for ombudsman
- Network Governance Code UNI DROIT provisions

### END

of the franchise partnership

- Code for franchisees
- Guidelines and pamphlet for mediation
- Statutes and pamphlet for ombudsman
- Code for consultants

CODE OF ETHICS FOR THE GERMAN FRANCHISE ASSOCIATION



# CODE OF ETHICS GERMAN FRANCHISE ASSOCIATION

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## QUALITY THROUGH PARTNERSHIP

Franchising is a fair and transparent business model. It is characterized by partnership established on equal footing and respectful behaviour between franchisors and franchisees. They work together with shared responsibilities, helping to reinforce the competitiveness of the company.

## EXPANDING SUSTAINABLE, SUCCESSFUL ENTREPRENEURSHIP

Only a successful and well-tested business model can be reproduced sustainably. Rapid, comprehensive growth is the particular strength of professionally-run franchise systems, since franchisors and franchisees work together systematically over time to perfect their business model. When building up a franchise system, it is crucial to guarantee brand protection and constant continued development of the service package for franchisees from the very start.

## CLEAR RULES FOR STRONG RELATIONSHIPS

Clearly defined principles are the foundation of sustainable success for franchisors and franchisees. Both sides benefit simultaneously from their willingness to enter into a binding, honest partnership for the long term. In this regard, the franchisor prescribes the business conditions and the franchisee acts as a multiplier. Through open, transparent and interactive collaboration, both sides continually work to further develop the system and the brand image.

## OUR MISSION: CREATING COLLABORATIVE ENTREPRENEURSHIP

With these values as a foundation, the central mission of the German franchise economy becomes clear: *We generate successful entrepreneurship through sustainable multiplication.*

## **OUR VISION: STRENGTHENING FRANCHISING AS A QUALITY BRAND**

Franchising is the primary choice for business models looking to expand. This is the model for successful entrepreneurship that can be established effectively across all sectors. After all, franchising as a principle is not bound to a particular industry and is remarkably versatile.

It is this versatility that makes it strong, but that also requires close collaboration. As a franchise economy, it is essential to have a joint public presence and to represent common values. This makes franchising a strong, credible and trustworthy model that is respected and valued from both an economic and social perspective.

*The values and rules summarized within Franchise Compliance Germany for the German Franchise Association serve these objectives. They reflect the values behind a community culture that is not only enjoyed by the franchise systems organized within the German Franchise Association, but also promoted by them.*

# THE GERMAN FRANCHISE ASSOCIATION E.V.

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**The German Franchise Association e.V. is the umbrella organization for the German franchise economy. For nearly 40 years, this community of quality has represented both franchisors and franchisees.**

One of the main tasks of the association is to represent the interests of the franchise economy on an economic, political and social level. For this purpose, close contact is maintained with economic and political multipliers, such as the relevant Federal Ministries – in particular the Ministry of Economic Affairs and Energy (BMWi) – as well as with the German Bundestag, the Chambers of Commerce and Industry, the Federal Labour Office and other institutions and associations with whom the German Franchise Association is connected in a large community network.

On an international level, the German Franchise Association benefits from intensive shared experience with the European Franchise Federation (EFF) and the World Franchise Council (WFC), which influence the guidelines and regulations of the EU Commission in Brussels.

Another important objective of the Franchise Association is to promote awareness and the image of franchising in Germany in a sustainable and positive way, as well as securing financing opportunities for franchisees and franchisors.

One key foundation for the association's work is the code of ethics of the German Franchise Association. This was created on the basis of the Code of Conduct for the European Franchise Federation (EFF) as coordinated with the EU Commission, and provides a definitive interpretation of the concept of a professional franchise. This code also outlines the rights and obligations of franchisors and franchisees, and facilitates the uniform public appearance that characterizes serious franchising. Franchisors who want to become members of the association are subject to strict admission criteria and must prove that they act and behave according to the code of ethics.

One decisive factor in becoming a full member of the association is the system check. Franchise companies trying to achieve full membership must successfully pass the system check of the German Franchise Association. With this system check, the association is offering a unique selling point in the field of self-regulation for professional franchises. The quality seal carries significant influence with relevant multipliers, financial institutions and franchisors. The International Centre for Franchising and Cooperation (F&C) in Münster is responsible for economic control and independent monitoring. Continual reviews at 3-year intervals ensure the sustainable quality of the seal.

## ADVANTAGES FOR FRANCHISORS AND FRANCHISEES

Members of the German Franchise Association receive ongoing assistance, are supplied with industry information and specialist knowledge and receive active support in acquiring qualified franchisees.

Additionally, the association actively cooperates with credit institutions to achieve improved financing options for the franchise systems. Conferences with other franchise companies, such as round tables, specialist events or the FRANCHISE FORUM, the franchise event of the year, offer a platform for networking and internal exchange.

Franchise systems which expand into other countries or which want to come to Germany from other countries, as well as start-up businesses, can benefit from a consultation session with the association and detailed information about these processes.

In the German Franchise Association's legal database, members are able to look through a comprehensive collection of rulings and decisions relevant to franchisees. In case of disputes, franchisors and franchisees which are members of the association have access to mediation and ombudsman procedures for extra-judicial conciliation.

Additional information regarding German Franchise Association e.V. is available at [www.franchiseverband.com](http://www.franchiseverband.com)

# THE GERMAN FRANCHISE INSTITUTE

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**The German Franchise Association is also especially committed to providing long-term support for franchising in Germany; for this reason, the association is actively involved in training and continued education. The German Franchise Institute connected with the association offers a large selection of practice-oriented training sessions and seminars for franchisors and franchisees.**

The German Franchise Institute GmbH was founded at the initiative of the German Franchise Association e.V. in the year 1990. The German Franchise Institute is the training provider for the entire franchise economy in the German-speaking area. Subjects encompass the entire range of entrepreneurial challenges, from deciding to establish a franchise system, to all franchise-specific challenges of corporate governance, as well as success factors for growth.

For this reason, the integrated franchise events range from the franchising school to exclusive specialist franchise seminars, system management or bottleneck analysis, as well as franchising-related workshops focused on jurisprudence, financing or controlling.

**Services offered by the German Franchise Institute are catered towards:**

- Current and potential franchisors
- Franchise managers and employees in the system headquarters
- Consultants and attorneys in the field of franchising

Additional information as well as current training and continuing education offers are available at **[www.franchise-institut.de](http://www.franchise-institut.de)**

# YOUR CONTACTS

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