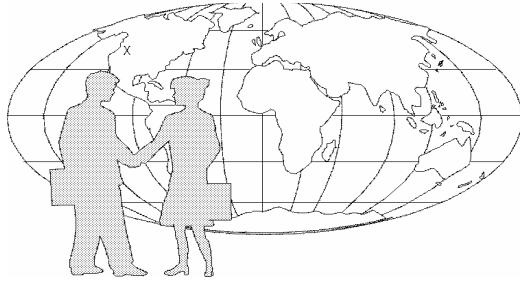


# *Building Your Future in British Columbia, Canada*



## **Government of British Columbia Business Immigration Office**

Suite 730 - World Trade Centre  
999 Canada Place  
Vancouver, British Columbia - Canada V6C 3E1  
Tel: 604 775-2227 Fax: 604 660-4092  
Website: [www.businessimmigration.gov.bc.ca](http://www.businessimmigration.gov.bc.ca)

## **Franchise Businesses for Entrepreneur Immigrants**

### **The Franchise Industry in Canada**

Approximately 1,200 different franchises operate thousands of locations in Canada. The industry has grown rapidly in the last 20 years and now accounts for 4 of every 10 dollars spent on retail goods and services. Last year, Canada's franchisees took in approximately 90 billion dollars in sales. Every indication is that this sector of the economy will continue to prosper.

Franchising gives a company (the franchisor) the ability to expand quickly and effectively by selling the right to reproduce its successful business format to others (the franchisees). By investing in a franchise, a buyer normally receives the exclusive right to use the franchisor's name and sell their products or services in a specific geographic area. The franchisor usually provides the information, training and assistance required to introduce the business in the franchisee's territory.

While most people think first of fast food, there are a huge number of different businesses operating as franchises. Just a few of these are:

photography	car rentals	multimedia	shipping	children's activity centres
education	food stores	drug stores	auto repair	financial services
cleaning	printing	real-estate	inspection	medical supplies
painting	recreation	clothing	travel	physical fitness
hotels	art	literature	flowers	photo finishing
vitamins	consulting	toys	security	employment agencies

### **Implications for Terms & Conditions Removal**

While franchises can provide a relatively fast way for newcomers to get into the mainstream of business, entrepreneur immigrants must ensure they will be able to satisfy the terms and conditions of their visa. Whether an entrepreneur's business is a franchise operation or not has no bearing on the conditions removal process. Businesses which are franchises and businesses which are not franchises are considered equally.

Entrepreneur immigrants can obtain a copy of the provincial guidelines for conditions removal from the Investor Services/Business Immigration Office. Special attention should be paid to the requirement of creating a significant benefit to the economy.

If an entrepreneur is planning to purchase an existing operation, it is important to determine its past ownership. The Federal Government does not approve terms and conditions removal for the buyer of a business in which a prior owner had conditions removed. The only exception is if substantial growth and new job creation are produced by the new entrepreneur. If uncertain whether this situation exists in a proposed business, the entrepreneur can contact the Business Immigration Office for assistance.

### **Considering a Franchise**

For new comers, franchises offer a simple method of getting into a business that has a developed concept and an operating history. From a risk standpoint, franchises have a much higher historical rate of success than business start-ups, but lack the assured income that come from taking over an existing profitable company. The most important advantage of a franchise is its pre-developed and tested operating system. Such a system allows a new operator to get into business quickly and avoid making early mistakes. It can also provide training to give the owner an understanding of the market, the industry, and the local business culture. Some advantages of owning a franchise can include:

- Instant sales and credibility from customers already familiar with the franchise
- Saving from bulk purchasing discounts
- Co-operative advertising with other franchise outlets
- Assistance in selecting, designing and renovating a location
- Training for the owner and employees
- Pre-selected lines of product or services
- Pre-set prices and profit margins

Each of these factors gives the entrepreneur an advantage over starting a business on their own. It should be noted, however, that these are not provided by all franchisors and each is unique in its philosophy and methods. It is the job of the entrepreneur to carefully study the opportunity and question everything that is not clearly understood.

### **Costs, Risks & Restrictions**

Unlike starting an independent business, where the owner has the authority to make all the decisions, a franchisee can face many restrictions. Among others, these include:

- Following a certain business strategy
- Selling only specific products at pre-set prices
- Presenting only the franchisor's look and feel in the business
- Maintaining a certain level of service
- Advertising in approved ways and places

If a franchisee does not follow the rules established in the franchise contract, they may risk losing their right to operate that business. While these restrictions exist to maintain a standard of quality, service and uniformity throughout all franchisee's locations, they severely limit the freedom the owner has to make changes he or she thinks will improve the business. Anyone considering a franchise must remember this is not the same as starting a new business, it is the purchase of a license to operate someone else's system using that person's name and trademarks.

All restrictions should be clearly understood so the potential franchisee can avoid any situation which unfairly favors the franchisor.

Franchisors normally earn revenue from franchisees in three different ways.

1) Initial franchise fee - in return for this payment, the franchisee is welcomed into the system and helped into business by the franchisor.

2) Royalty on sales revenue - once the franchisee is in operation, a franchisor may charge a percentage of sales as a royalty, whether the business is profitable or not.

3) Purchase of materials - the franchisee may be required to buy raw materials and equipment from the franchisor.

Some franchisors charge a franchise fee, a royalty, and require the franchisee to purchase from them. Others use one, or a combination of two, of these methods.

Despite the information that franchises have a higher success rate than independent businesses, all the usual risks apply equally to franchise operations. There is no guarantee that a franchise which is successful in another city will be successful in the entrepreneur's territory, or that the specific location the entrepreneur chooses will bring the desired amount of business. As well, there are no guarantees that the franchisor will be a good partner, or that the franchise will keep up with changing trends in the market.

### **Finding and Examining Opportunities**

It is very important that anyone planning to buy a franchise complete a thorough examination before investing. Much of the initial work should be done by the entrepreneur so that he or she can develop a good understanding of each opportunity and establish a basis for comparing them. Early in the process one should:

- Assess the quality of the program and people,
- Consider how the franchise has done in other markets and how portable the concept is,
- Make an estimate of the potential the franchise has in the intended territory,
- Measure that potential against the costs and restrictions involved.

A number of very good checklists for buying a franchise are produced by the local banks and accounting firms. These provide detailed lists of important questions for potential franchisees to ask. A number of good books are available from libraries and bookstores.

Before finalizing any franchise decision, a lawyer and accountant should be engaged to go over the details and make recommendations. Professionals who specialize in franchises frequently advertise in industry publications.

A positive move in the local franchise industry is that a growing number of franchisors are joining the Canadian Franchise Association. While this alone does not provide any guarantees, members are required to adhere to the Association's code of ethics. This code sets guidelines for a healthy relationship between franchisors and franchisees, and makes it easier for franchisees to obtain the information they need to make an informed decision.

## **Useful Contacts**

### **Canadian Franchise Association ([www.cfa.ca](http://www.cfa.ca))**

2585 Skymark Avenue,

Suite 300, Mississauga, Ontario

L4W 4L5

Tel: 1-800-665-4232

Fax: (905) 625-9076

The Franchise Association sets voluntary standards for member franchises operating in Canada. For anyone considering the purchase of a franchise, the CFA offers an information kit for franchise opportunities titled "Investigate before evaluating investing". The cost of the kit is \$23.43. The CFA also holds regular information seminars that may be of interest to potential franchisees.

### **Canadian Business Franchise Magazine ([www.cgb.ca](http://www.cgb.ca))**

CGB Publishing Ltd.

3060 Cedar Hill Road, Suite 300A

Victoria, British Columbia

V8T 3J5

Fax: 250 383-8889

This magazine provides a great deal of information about franchises in Canada. It focuses on particular franchises and provides articles that answer many of the questions asked by those considering a franchise opportunity. The magazine also lists franchises available.

### **Canada/B.C. Business Service Centre ([www.smallbusinessbc.ca](http://www.smallbusinessbc.ca))**

The Station

601 West Cordova Street

Vancouver, British Columbia

V6B 1G1

Tel: 604 775-5525

Outside Vancouver: 1-800-667-2272

Fax: 604 775-5520

The Centre maintains a library of business information, including a section on franchising. Anyone planning to go into business should use the centre as his or her first stop for researching the opportunity. Staff is available to assist with inquiries.

### **Franchise Shows ([www.franchise1.com/shows](http://www.franchise1.com/shows))**

c/o Enterprise Magazines, Inc.

1020 N. Broadway, Suite 111

Milwaukee, WI 53202

Tel: 414 272-9977

Fax: 414 272-9973

Two types of show are organized by this company at a number of locations across Canada. The most important shows are held in conjunction with the International Franchise Association ([www.franchise.org](http://www.franchise.org)) and feature only franchise opportunities. The second shows mix franchises with other business opportunities and are promoted as "be your own boss" shows. Contact the company for details and a schedule of upcoming events.