



HOW TO FRANCHISE YOUR BUSINESS

The Franchise business format is a great option to expand an existing business as it combines the cumulative strength of the entrepreneur's experience and proven System with the talent, motivation to succeed, and capital of Franchisees.

Franchising in Canada includes over 1,200 different Franchise Systems with well over 76,000 franchisees. Even more interesting than the size of the Franchise industry is its diversity. We have come a long way from fast food and family restaurants as being the franchise model. Today, there are well-established Systems which include retail-driven store fronts, as well as business to business (B2B) and consumer services (B2C) provided by franchisees who may be working from home as much as from business locations. The current CFA-produced Directory of Franchise Opportunities boasts over 1,100 franchises grouped under 49 different headings.

Why would you franchise your business? The principal reasons are:

1) Limited capital: Grow your company with franchise partners providing the necessary capital;

2) Leverage the motivation of owner-operated businesses versus employees;

3) Expand in unknown or distant markets with local franchise partners;

4) Put in place an exit strategy for yourself as franchising your current business will recuperate capital and simplify your operations.

Is your business franchisable? Yes, if you can answer these questions positively:

1. Can my business be reproduced with success by someone else than myself?
2. Is the business profitable and has been operating for more than 3 years?
3. Is there an added value for someone to be part of my System?
4. Can I work with business partners as opposed to employees executing my orders?

The next question is of course: ***How to proceed?*** Since Franchising is a complex process and probably foreign to what you have done in the past, as you would retain a professional to assist with taxes, real estate or contract issues, you

should hire two key professionals to help you establish your Franchise System: A Franchise Consultant and a Franchise Lawyer.

The Franchise Consultant will help you with:

- Determining and validating the future franchisee model to ensure that it will be profitable for the franchisee and provide an acceptable return on investment;
- Determining the financial relationship between franchisee and franchisor: initial rights and ongoing royalties or other sources of revenues and alternative business arrangements;
- Determining the number of potential franchisees with or without territories; the growth strategy both geographically and time wise considering your objectives and resources;
- Profiling the type of individuals you will be looking for as future franchisees and providing guidance on how to attract them and what information will be required for this type of franchisee;
- Providing expertise on the content of your promotional franchise recruitment material;

- Reviewing or writing, if necessary, your Operations Manual and Training Program;
- And in the process, building in parallel your Business Plan which will reflect not only the revenues of your franchise expansion plan, but also the expenses as you grow the business and face the changes which will invariably impact your current business.

As well, most franchise consultancy firms will provide you with personalized and full franchise recruitment services when you are ready to roll out your Program.

The Franchise law firm which will work with your Consultant will provide guidance on issues such as:

- Protecting your current operations
- Any trademark issues
- Building your standard franchise agreement and any other ancillary documents in accordance with the business model that you designed with your franchise consultant
- Putting in place the all-important Franchise Disclosure Document

It is crucial that you retain qualified and experienced firms. The Canadian Franchise Association maintains a list of qualified CFA members. It is recommended that you choose people

with whom you are comfortable as you will be entrusting them with an important element relating to the evolution of your business.

Many companies make the mistake of doing this themselves or cutting corners. The steps which I have described must be well done and carefully implemented. If you are at the stage of converting your business to a Franchise System, this is a major commitment and one which you should

not take lightly. Another common mistake is to think that franchising will fix your current financial problems. You will need to invest serious capital in building your Franchise business and you will not fund this on a short-term basis from rapid franchise rights input. There will be many months between establishing the Franchise strategy and collecting fees from the first franchisee! It is worth waiting and doing this well as the rewards will be exciting in the mid and long term!

Michel Gagnon is the President of Davier Consultants Inc., a Management and Franchise Consulting firm established in 1994, with associates in Montreal and Toronto and alliances in other areas of Canada and the world. Davier Consultants is a member of the CFA since 1994 with Michel currently serving a two-year term on the Board of Directors of the CFA. Further information is available by visiting the Davier Consultants Web site www.davierconsultants.ca.