

Franchising

Business Sourcing Guide

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Canada / British Columbia Business Services Society

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www.smallbusinessbc.ca



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Franchise Business

Legal / Regulatory

Basics for Getting Started

Basic regulatory requirements that are likely to affect you when starting your business include registering your business name, obtaining a business license and paying taxes. For more information on basic regulatory requirements, visit the Canada / BC Business Services Society's web site at:

<http://smallbusinessbc.ca/workshop/basics.php>

Acts and Regulations

There are no regulations governing franchising in British Columbia. However, regulations and by-laws affecting most businesses apply.

Provincial and Federal Acts and Regulations

For further information on regulations that may affect specific franchise businesses, contact the Canada/British Columbia Business Services Society.

Funding / Financing

Financing Your Business

You may want to use one or more types of financing in your small business. You may choose short-term debt financing, long-term debt financing or equity financing. For more information on financing your small business, visit the Canada/BC Business Services Society's web site at:

<http://smallbusinessbc.ca/financing>

Acts and Regulations

Canada/BC Business Services Society

601 West Cordova St.
Vancouver, BC, V6B 1G1
Toll-free: 1-800-667-2272
Tel: (604) 775-5525
Fax: (604) 775-5520
<http://www.smallbusinessbc.ca>

Provincial and federal acts and regulations affecting retail, service and food service franchise businesses:

Trade Practice Act

Consumer Services Office
Toll Free: 1-888-564-9963
Tel: (250) 387-3045
http://www.qp.gov.bc.ca/statreg/stat/T/96457_01.htm

Social Service Tax (PST)

Ministry of Provincial Revenue
8th fl. - 360 W.Georgia Street,
Vancouver, BC V6B 6B2
Tel: (604) 660-4524
Toll-free:1-877-388-4440
Fax:(604) 660-1104
<http://www.rev.gov.bc.ca/ctb>

Business Number (GST)

Canada Revenue Agency
Toll Free: 1-800-959-5525
<http://www.cra-arc.gc.ca/tax/business/menu-e.html>

Health Act

http://www.qp.gov.bc.ca/statreg/stat/H/96179_01.htm

Workers Compensation

6951 Westminster Highway
Richmond, BC, V7C 1C6
Toll-free: 1-800-661-7233
Tel: (604) 276-3100
<http://www.worksafebc.com>

*Funding / Financing continued***Buying a Franchise**

Buying a franchise involves buying the rights and support systems to own and operate a business that has been designed by someone else. It is a common way of establishing a business. Usually, franchise networks are based on a successful business established in one original location. Franchise outlets may then be established in other locations. Each location uses the same company name, operating system, purchasing procedures and management system, and benefits from general advertising campaigns. Each franchise outlet receives varying degrees and types of franchise supports.

Some Examples

Many fast food outlets such as McDonald's, Burger King and Kentucky Fried Chicken are franchise operations. Other common franchises are real estate agencies, restaurants, hair salons, building supply outlets, dry-cleaners, picture-framing shops, lawn maintenance services, fast printing services, quick photo processing outlets, automobile repair and parts shops, sports equipment stores, computer stores, video rental outlets, home security firms and machine vending services.

How To Do It

Access the information sources identified in this publication to learn more about franchising advantages and disadvantages. Identify types of franchise operations you would like to explore by reading newspaper and magazine advertisements, franchise trade journals, and noticing franchised businesses in other locations which may work in your area.

Franchise Fees

Franchisors charge an initial franchise fee, but what that fee covers can vary widely. In some cases, the fee covers the right to use a trademark, while in others the fee pays for the setup of a complete turnkey operation – building; equipment; inventory; and advertising. Your decision to buy a franchise must be based on a complete understanding of the total costs involved. Make sure you know exactly what is and isn't included in your franchise fee and what you're expected to pay for on your own. When you have selected the type of franchise which most interests you, identify and talk with potential customers to determine their need for your products or services. Talk with a few franchisees for information on being part of a franchise organization.

Funding / Financing continued

Sources of Financing

You'll most likely need three types of financing, long-term (this generally covers the more permanent aspects of your franchise), intermediate-term (usually covers your franchise fee and fixed assets such as equipment and fixtures) and short-term (used for shorter lived equipment, furniture and inventory).

Financial Institutions

Canadian financial institutions are active in providing financial services to franchisors and franchisees. In addition, they usually have franchise specialists in their head office and/or regional offices to support the franchise lending activities of their branches.

Most financial institutions distribute publications that provide advice on buying a franchise and assist established franchisors in developing comprehensive financing packages for franchisees.

Community Futures Development Corporations (CFDC)

Community Futures Development Corporations provide business loans to assist existing businesses expand, or to help entrepreneurs create new businesses. Loan amounts are up to \$125,000. There over 30 Community Future Development Corporations located throughout rural British Columbia.

Business Development Bank of Canada (BDC)

The Business Development Bank of Canada is Canada's small business bank. BDC is dedicated to helping create and develop Canadian small and medium sized businesses. Contact the BDC to identify a range of programs and services available to eligible entrepreneurs.

Canada Small Business Financing Program (CSBF)

Owners of small businesses frequently lack the funds they need to pay for business improvements or expansion. Financing may not be available to them unless they are willing to include their personal assets as loan security. Those wanting to start up new businesses face similar problems. Under the CSBFA, the federal government partially offsets any losses on CSBF loans. The result is that financing is more accessible, and owners do not have to provide personal assets as security to support their business financing requirements.

Sources of Financing

To find the nearest Community Futures Development office in BC, check:

<http://www.communityfutures.ca/provincial/bc/locations/>

or call

Canada/BC Business Services Society

Toll-free: 1-800-667-2272

Business Development Bank of Canada

Main Floor Bentall Tower 1
505 Burrard Street

Vancouver, BC, V7X 1V3

Tel: (604) 666-7850

Toll Free: 1-877- 232-2269

Fax: (604) 666-7859

<http://www.bdc.ca>

Canada Small Business Financing Program

For more information on the CSBFA, Contact the private sector lender of your choice or view the Industry Canada Web Site at:

<http://strategis.ic.gc.ca/csbfa>

*Funding / Financing continued**Strategis Web Site – Sources of Financing*

Industry Canada's Strategis web site - Sources of Financing, offers an extensive database of financial providers and diversified resources to build your financing knowledge.

Overview of Government Financial Programs

The Overview is the Canada/BC Business Services Society's publication that lists government assistance programs and services for small business. Both federal and provincial government programs are listed.

The Overview is a collection of the more popular programs that are more readily available to the small business owner.

How - To / Educational

All publications listed in this document are available for reference in the Canada/BC Business Services Society's Business Start-Up Library.

How-To Publications

Canadian Franchise Guide (3 Volumes)

Designed for franchisors, franchisees and professional advisers, this all-Canadian service brings together information including: legal considerations, tax considerations, trade-mark considerations, current and future trends, international expansion, accounting issues, marketing and financial planning strategies, and a comprehensive section of forms, documents, agreements and precedents.

Franchising in Canada: Pros and Cons

This book covers all the important aspects of franchising in today's market, and answers questions such as: What kind of franchises are available? What are the requirements for a franchise? How much money does it make? What are the dangers of buying a franchise? How much autonomy does a franchise really have? What is in a franchise contract? What guarantees does a franchisor give?

Strategis Web site Sources of Financing

<http://strategis.ic.gc.ca/sources>

Overview of Government Financing Programs

<http://www.smallbusinessbc.ca/pdf/overview.pdf>

How-To Publications*Canadian Franchise Guide*

Publisher: Carswell Thompson Professional Publishing

Franchising in Canada: Pros and Cons

Publisher: Self Counsel Press
ISBN: 1-55180-094-2

<http://www.self-counsel.com>

How-To / Educational continued

Franchising in Canada

This guide covers the benefits and pitfalls of franchising for both franchisor and franchisee. Topics cover accounting and income tax aspects of franchising and franchise contracts.

So You Want to Buy a Franchise: Proven Steps to Successful Franchising in Canada

Determine if franchising is the right option for you and your situation, assess an available franchise's profitability, evaluate marketing and training benefits in a franchise's organization, generate financing for your new franchise venture and make sense of a typical franchise agreement.

Tips and Traps When Buying a Franchise

This is a straightforward step-by-step guide to franchising from the franchisee's perspective.

Restaurant Franchising

This publication guides the user through the steps of starting and running a restaurant franchise, it covers topics from developing a winning concept, to the legal intricacies of franchise agreements. Also deals with financial backing and international franchising, and includes an index.

Guide to Buying a Franchise

This book provides you with a thorough examination of the franchise arena from the buyer's perspective. It discusses how to select a franchise, financing a franchise, legal aspects of franchising and business resources.

Franchising 101: The Complete Guide to Evaluating, Buying and Growing your Franchise Business

In this guide you will learn how to: research and evaluate a franchise business opportunity; prepare your franchise business plan; understand and negotiate the various franchise documents; select a location for your business and negotiate a lease; find and train good employees; and market your new business with future growth and prosperity in mind.

Franchising for Dummies

Discover how to understand the latest legal issues, find an ideal location, manage daily operations, work with your franchiser and fellow franchisees, and franchise your own small business.

Your Guide to Financing Business Growth by Selling a Piece of the Pie 2002-2003 Edition

This publication looks at franchising as a method for financing growth. Learn how employee stock ownership plans work and how they can be used to raise capital.

Franchising in Canada

Publisher: CCH
ISBN: 1-55141-755-3

So You Want to Buy a Franchise

Publisher: McGraw-Hill
Ryerson Ltd.
ISBN: 0-07-560419-1

Tips and Traps When Buying a Franchise

Publisher: Source Book
Publications
ISBN: 1-887137-12-2

Restaurant Franchising

Publisher: John Wiley & Sons
ISBN: 0-471-29194-3

Guide to Buying a Franchise

Publisher: Entrepreneur
Magazine Group
<http://www.entinst.ca>

Franchising 101

Publisher: Upstart Publishing
Group
ISBN: 1-57410-097-1

Franchising for Dummies

Publisher: Hungry Minds Inc.
ISBN: 0764551604

Your Guide to Financing Business Growth by Selling a Piece of the Pie 2002-2003 Edition

Publisher: Productive
Publications
ISBN: 1-55270-103-4

Contacts / Directories

Business Associations

Canadian Franchise Association (CFA)

The Canadian Franchise Association (CFA) represents the interests and investments of franchisees and prospective franchisees, and is committed to achieving excellence in franchising.

The CFA restricts membership to those who meet Association standards and practices and strictly enforces the Code of Ethics.

- 350 Members
- Membership fees vary according to number of franchised units
- Publish newsletter 'The Franchise Voice'
- distribute "Franchise Canada - The Official CFA Directory"

International Franchise Association (IFA)

The International Franchise Association (IFA) enhances and safeguards the business environment for franchisees and franchisors worldwide. The Association serves as a resource center for current and prospective franchisees and franchisors, the media, and the government.

The Association has been instrumental in developing legislation that safeguards franchising from abuse by fraudulent operators, and has testified on behalf of programs that expand opportunities for women and minorities in franchising.

Tradeshows and Exhibitions

National Franchise and Business Opportunities Show

The National Franchise & Business Opportunities Show features business and franchise opportunities. It is organized by National Event Management, which currently produces 27 events annually across North America with offices in Toronto and Calgary. NEM's events span a variety of industries including, franchise and investment, women's market, golf, fishing, adventure sports and travel. Visit their website for show dates across North America.

Business Associations

Canadian Franchise Association

300 – 2585 Skymark Ave
Mississauga, Ont
L4W 4L5
Toll Free: 1-800-665-4232
Fax: (905) 625-9076
<http://www.cfa.ca>

International Franchise Association

900 - 1350 New York Ave.NW
Washington, DC,
USA, 20005
Tel: (202) 628-8000
Fax: (202) 628-0812
<http://www.franchise.org>

Tradeshows and Exhibitions

National Business Opportunities & Franchise

Toll free: 1-800-891-4859
Tel: (905) 477-2677
<http://www.nationalevent.com>

Contacts / Directories continued

Vancouver Franchise and Investment Show

The Vancouver Franchise and Investment Show features some of the most successful franchises offered across North America. Attend free seminars and learn the benefits of buying a franchise, discover financing options and learn how to become a successful new business owner.

The Franchise Show

Billed as Canada's largest franchise show, The Franchise Show is organized by the Canadian Franchise Association.

Directories

Franchise Annual

Both handbook and directory, includes a directory of U.S. and Canadian franchisors, a section on how to go about obtaining a franchise and what to look for in the franchisor. 4,177 listings include 48 different categorical sections including such areas as distributors, franchise consultants, accounting and tax services, automobile rental and leasing, burglar and fire prevention, children's products and services, etc.

Canadian Business Franchise Directory (Annual)

This directory contains a comprehensive listing of franchises, as well as information about funding and management of a franchise.

Magazines and Newsletters

Canadian Business Franchise

This magazine contains all the current and latest information on franchises. It contains advisories, franchise news and a range of valuable articles.

Internet Resources

Franchise Annual: Online

Includes franchisor listings, monthly updates from the Info Franchise Newsletter, investigative tools for prospective franchisees and home pages for franchisees.

Vancouver Franchise and Investment Show

New Business Centre
2113 New Street,
Burlington, ON, L7R 1H7
Tel: (905) 634-9750
<http://www.newbusinesscentre.com/shows.html>

The Franchise Show

<http://www.cfa.ca/show/index.html>

Directories

Franchise Annual

Publisher: Info Franchise News Inc.
ISBN: 0-97301321-4
<http://www.infonews.com>

Canadian Business Franchise Directory (Annual)

Publisher: CGB Publishing
<http://www.cgb.ca/directory.html>

Magazines and Newsletters

Canadian Business Franchise

Publisher: CGB Publishing
395 Conway Road
Victoria, BC, V8X 3X1
Tel: (250) 744-1662
Fax: (250) 744-3763
<http://www.cgb.ca>

Internet Resources

Franchise Annual: Online

<http://www.infonews.com/>

*Contacts / Directories continued**Strategis Website – Franchising*

This site lists resources for the future franchisee. Associations, legislation, publications, and trade shows are all included.

Frannet

A directory of franchises plus very informative ‘research resources’ and an ‘FAQ’ will be helpful to anyone interested in franchises

Franchise Update

This is a one-stop source for information on franchise opportunities, franchise services and general franchise editorial.

Franchise World

This site provides information about news, events, trends, developments and people in the franchise world.

Franchising.com

This site bills itself as the place to learn how to make the franchise decision, be a successful franchisee and find the franchise opportunity that's right for you.

Market Data / Statistics

Sales Forecasting

Sales forecasting is the process of organizing and analyzing information in a way that makes it possible to estimate what your sales will be. For more information on sales forecasting, visit the Canada/BC Business Services Society's web site at:

<http://smallbusinessbc.ca/workshop/salefore.php>

Sources of Market Data

Performance Plus (Industry Profiles)

Performance Plus is an on-line performance benchmarking tool. It provides detailed financial and employment data on more than 600 business sectors across Canada, including more than 30 performance benchmarks to help small businesses determine how they measure up against their competitors.

Strategis Website - Franchising

<http://strategis.ic.gc.ca/SSG/dm00843e.html>

Frannet

<http://www.frannet.com/>

Franchise Update

<http://www.franchise-update.com/index.shtml>

Franchise World

<http://www.franchise.org/newsarea.asp>

Franchising.com – A World of Franchising Opportunities

<http://www.franchising.com>

Sources of Market Data*Performance Plus (Industry Profiles)*

Industry Canada

<http://sme.ic.gc.ca>

or C/BC BSS Stats Consultant

Tel: (604) 775-5699

or Statistics Canada

Toll-free: 1-800-263-1136

or Statistics Canada

<http://www.statscan.ca>

1-800-263-1136

Appendix

Regional Health Units

Burnaby ----- Burnaby Health Department (250) 294-7390
Castlegar ----- Central Kootenay Health Unit (250) 365-4300
Chilliwack ----- Upper Fraser Valley Health Unit (250) 795-8200
Coquitlam ----- Simon Fraser Health Unit (604) 927-2000
Courtenay ----- Upper Island Health Unit (250) 334-1122
Cranbrook ----- East Kootenay Health Unit (250) 426-1455
Dawson Creek Peace River Health Unit (250) 784-2400
Gibsons ----- Coast Garibaldi Health Unit (250) 886-5600
Kamloops ----- South Central Health Unit (250) 828-4411
Kelowna ----- South Okanagan Health Unit (250) 868-7700
Nanaimo ----- Central Vancouver Island (250) 755-6200
New West ----- New West. Health Department (604) 527-4406
North Van. ----- N. Shore Health Department (604) 983-6700
Prince George - Northern Interior Health Unit (250) 565-7390
Richmond ----- Richmond Health Department (604) 736-2866
Surrey ----- Boundary Health Unit (604) 572-2600
Terrace ----- Skeena Health Unit (250) 638-3474
Vancouver ----- Vancouver Health Department (604) 736-2866
Vernon ----- North Okanagan Health Unit (250) 549-5700
Victoria ----- Capitol Regional District (250) 360-3118
Williams Lake Cariboo Health Unit (250) 398-4600