

THE ENTREPRENEURS Brand recognition and a set business model can be huge benefits

Franchisees get perks

STEPHANIE WHITTAKER SPECIAL TO THE GAZETTE

Joey and Issie Sobol had an idea for a business that was bound to please customers. The brothers would open Auto Rev, a car wash and detailing service that would have a café and dépanneur attached.

They'd found a chunk of land at the corner of Jean Talon Blvd. and Victoria Ave. on which to build it and were toying with a catchy name for the café. Java Joe's would serve customers lattes and cappuccinos while they waited for their cars to be cleaned.

The only problem was that the brothers lacked experience in the restaurant-café business and no one had ever heard of Java Joe. They knew it would take time to get recognition in the marketplace. "So we called a few café franchisees but they shied away from the concept," Joey Sobol said.

Not Java U. The Montreal-born chain of chic, trendy cafés was in expansion mode, moving from a corporate model to a franchisee one. The Sobols became the first Java U franchisees and as a result, when they opened their car wash/dépanneur and Java U outlet last summer, they had instant brand recognition and the company's expertise in coffee and food.

Getting that instant brand recognition and a concrete business model are the reasons many entrepreneurs opt to buy franchisees instead of starting at ground zero with their own business ventures. Last week's National Franchise and Business Opportunities Show at the Palais des congrès was staged to show wannabe franchisees the range of possibilities.

A micro franchise, an Adèle house cleaning company, for instance, can be had for as little as \$11,100 while, a Boston Pizza outlet will cost you \$2 million.

There are 180 franchisors based in Quebec and another 130 operating within the province that are based in the rest of Canada, according to Pierre Garceau, general manager of the Conseil québécois de la franchise, a non-profit, member-driven organization that represents franchisors, franchisees and their suppliers.

About 6,000 franchisees employ 75,000 Quebecers in a \$3-billion industry. In other words, franchising is big business.

Garceau said that for 20 years, the Conseil existed to inform the public about franchising. But in 2003, it began accepting members from the franchise community and now boasts 135.

"We educate and inform the public and our new members about the business through our website (www.cqf.ca)," he said.

"In anything, there will always be people who'll sell you the moon. We offer seminars that tell you everything you need to know about franchising before you buy one. Anyone can put \$5,000 down to buy a franchise. But is this the right one and is it run by trustworthy people?"

Caveat emptor, warns Luc Audet, a lawyer with Audet & Associés, who specializes in helping entrepreneurs get into franchisees. Not all franchisees are worthy of your time, energy and hard-earned cash.

"When franchising started, it was a way for entrepreneurs to create additional outlets for their businesses without having to capitalize them," he said. "Nowadays, it's a business of consultants who come up with a new concept and sell it as a franchise. Some don't even have business experience.

"It used to be that a franchise was a business that had something magical that was working. It was a success story that you wanted to clone. Now, it's a business concept that you choose to franchise."

McDonald's comes to mind as the traditional franchise model.

Current models, however, include ATM machines and services that deliver such items as DVDs and pet food.

Audet said franchisees are ideal businesses for people who want to be self-employed but want a struc-

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LUC AUDET, FRANCHISE LAWYER

ture that has already been created. "A franchise will not keep a true entrepreneur happy, because he has to comply with all the rules of the franchise. The true entrepreneurial spirit will feel trapped by that."

The rule-bound structure, however, is perfect for "someone who wants, for instance, to start a restaurant but doesn't know anything about the business," he said.

He anticipates that more Quebecers will buy franchisees as the baby boomers move into retirement and decide to launch second careers.

"But you need to do your homework first. You should find out who's behind the company and if there are any lawsuits against them.

"I won't tell you the name of the company, but I just found a fran-

chise in which the acting president was bankrupt."

Audet said would-be franchisees in Quebec should be extra careful before leaping into business.

"Ontario has a law that governs franchises, but Quebec doesn't. There's only the civil code to deal with them here."

Still, franchisees often stand a better chance of success than businesses started from scratch by entrepreneurs.

"Only two out of 10 businesses survive their first five years," Pierre Garceau said. "In franchisees, seven out of 10 remain in business after those first five years."

One franchise that has fared very well is Boston Pizza, a casual dining chain, which was founded in Edmonton in 1964 and is aggressively wooing potential franchisees in Quebec.

"We've opened six in Quebec and will have 16 altogether by the end of 2006," said Wayne Shanahan, executive vice-president of Boston Pizza International Inc.

"We've been marketing the company in trade and business magazines and newspapers."

At \$2 million, Boston Pizza is at the high end of the franchising business.

"But," said Shanahan, "for every 100 restaurants like ours that open, there's a 2.8-per-cent closing rate. We haven't closed one in six years. Our closing rate is 0.3 per cent."

Gaetan Migneault, president of Adèle, a home-cleaning franchise, said he's sold 32 franchisees across Quebec and he anticipates that figure will double this year.

"We've adapted cleaning methods that are used in specialized environments and we leave the kinds of special touches that you'd find in a five-star hotel," he said.

At Java U, the franchise model will enable the company to grow fast.

Its founders, Ron Mofford and Asher Adler, sold the company to partners Jeff Itzcovitch and Brian Cytrynbaum five years ago.

A year ago, Benoit Brière became another partner and Mofford continues to run the catering arm of the business.

"In order to grow the business, it was time to move it to a franchise model," Brière said.

"We started the franchise model in the past year and plan to move it into Ottawa and Toronto."

The partners have also sold Java U franchisees to operators in Dubai, Qatar, Jordan, and Shanghai, China

"We didn't choose the Middle East. It chose us," Brière said.

"A Jordanian businessman was looking for a business concept.

"His wife had attended Concordia University and when he was here on business, he went to Java U every day. He liked it so much, he wanted to have it in Dubai."

He said the partners have created a "versatile" franchise model.

"We've got one in the Côte de Liesse Racquet Club, but we're also thinking of creating a small, express model that could be built in a large clinic, where people are waiting to see their doctors."