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FranchiseCanada

THE TRENDS:

2014

6 franchise sectors inspiring prospective franchisees now

By Lauren d'Entremont



Franchising in Canada is a viable and growing industry: there are over 78,000 franchised locations across the nation. Every year thousands of Canadians from all walks of life invest in a franchise business and become franchisees. But just who are these entrepreneurial-minded people going into business with the support and proven concept a franchise system provides?

FranchiseCanada and the Canadian Franchise Association have tracked the trends to find out which business sectors prospective franchisees are most interested in as they investigate franchise opportunities. Read on to find out the most popular sectors and why, according to the franchise experts, they attract so much attention.

1 Quick Service Restaurants

and

2 Restaurants and Dining Rooms

When many people think of franchising, it is food service franchises that are top-of-mind – and for good reason. With many established brands and emerging systems, the variety that the quick service and full service restaurant sectors provide catches the attention of many prospective franchisees.

Food service franchises, for the most part, “have physical locations so they are the visible face of franchising. They are what people see when they’re driving to and from their house every day,” says Gary Prenovost, a franchise consultant and president of FranNet of Southern Ontario. “Initially, when they think about franchising, this is what they think about first.”

“There’s a very broad range of investments in the categories, right up to millions of dollars. Ultimately, people will likely be able to find an opportunity that fits their financial capability,” says franchise consultant Wayne Maillet, President of Franchise Specialists.

Jeff Young, Vice President Development, OPA! of Greece, agrees. “The cost of entry for a QSR like OPA! of Greece is attractive to prospective franchisees as it is considerably less, relative to the investment of some other franchises concepts.” Young adds that some QSRs, like OPA!, one of Canada’s largest and fastest growing Greek food franchises, also offer different location formats. This allows franchisees to bring their brand to a variety of sites, from food courts to storefront units, at different investment levels.

Young says that previous experience in the sector isn’t a necessity but people and business skills are key. “The ability for a franchisee to communicate well with their customers, their staff and the franchisor is essential,” he says. “With most QSR franchises, it is mandatory to be a full-time hands-on operator. It’s important for the franchisee to interact with customers,

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Brand Power

More than 40 per cent of prospective franchisees cited brand recognition as an important attribute they look for in a franchise. An established, proven brand is one of the advantages a franchise provides. It gives your business a definite edge when consumers already identify with your brand and are aware, and maybe even fans, of the products and/or services you offer.

A strong franchise brand provides:

- Consumer loyalty;
- Protection/insulation from competitors;
- Credibility; and,
- Differentiation.

While these things can be built independently from the ground up, investing with a well-known franchise brand can give you a valuable head start in the marketplace.

recruit and retain good staff, control the cash, and closely manage the variable expenses in a food business.”

3 Retail

Much like with franchises in the food service sector, retail operations are highly visible points of contact for prospective franchisees. And, like food service, the retail industry “requires management skills, inventory control and a strong focus on customer service,” says Maillet.

Darren Bondar, President of WATCH IT!, a growing franchise network of 30 boutiques offering specialized accessories like watches and sunglasses, says that retail franchises are perfect for entrepreneurial types. “Retail attracts people who want to be on the sales floor. It provides a good avenue for people who would rather sell Armani than coffee to get into business,” he explains. “We look for people who are passionate about fashion brands and quality products. They also need to have salesmanship and an entrepreneurial spirit.”

A retail franchise offers guidance and support to go along with that passion on critical aspects such as site selection and inventory best practices. As with any good franchise, “the

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FranchiseCanada analyzed franchise search data from www.LookforaFranchise.ca and attendee surveys from The Franchise Show from 2011 to 2013 to compile this year’s trends.

Retail franchises are perfect for entrepreneurial types. "Retail attracts people who want to be on the sales floor." – Darren Bondar, WATCH IT!

benefit is that you're not guessing. A good franchisor will have created the systems and processes that compress the time between the decision to invest and hitting full stride success. The franchisor knows how to optimize the system," explains Prenevost. "New franchisees are learning from the consolidated learning curve of everyone who has gone before them so they're not repeating mistakes. This is one of the greatest benefits that a franchisee enjoys – they've got a track to run on and a good franchisor to back them up."

4 Automotive

The automotive industry as whole remains strong in Canada, with Canadians hanging on to their cars longer. When it's time for servicing or repair, the first choice for many owners is a franchised vehicle maintenance and repair facility.

"Once the warranty ends, Canadians are usually not going to the dealership for maintenance and repairs. Canadians are a franchise-friendly culture to start with and we trust brands and want to know what to expect," Prenevost says. "Automotive is about, at the service level, building repeat consumer business, with the opportunity to bring in larger accounts, like fleets. It's about providing a great customer experience. There is a variety of franchises in the automotive sector, each with their own specialties, but it really comes down to quality of customer service."

"The automotive sector is popular among franchisee candidates because it is such an extensive, broad category," notes Craig Comstock, President of Dent Clinic Canada. "People see a large number of vehicles throughout every aspect of their lives. They have vehicles, they have fond memories based on vehicles and travels from their past. They see the opportunity

in generating revenue through the maintenance and repair of such a large category."

Even Comstock's franchise itself offers an array of vehicle services – paintless dent removal, windshield repair, paint chip and scuff/scratch repair – from either a storefront location or through mobile servicing, with a goal of helping customers avoid costlier work by repairing minor damage.

In order to succeed, franchisees "must enjoy vehicles, have a desire to build and maintain the business in their territory, and be willing to work as part of a team while acting as an independent businessperson," says Comstock. What isn't required, he adds, is previous automotive experience.

Prenevost agrees that the best franchisees in the automotive sector aren't usually found under the hood; rather, they are skilled managers who are overseeing their team of mechanics and actively drumming up business for the location.

5 Seniors / Home Care & Services

With Canada's aging demographics, it's no wonder that many people are interested in the opportunities available in the seniors and home care services sector.

"Over the next four decades, the senior population is set to grow to the point where it will account for over half the total Canadian population," Maillet explains. "So, there will be a growing demand for senior care while at the same time funding from the government to support the aging population is shrinking. There's a shortage of nursing home beds, long-term care beds, and hospitals will soon not be able to keep up."

"Many franchisees are coming to home care looking for a way to give back to the community while building a business."

– David Watson, Premier Homecare Services

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Looking to the Future

When looking at the trends amongst prospective franchisees, there are some emerging trends visible in the data. Many service-based franchises are showing consistent year-over-year growth in interest from prospective franchisees, particularly in the business consulting/coaching, commercial/residential services, and home improvement sectors.

Gary Prenevost, a franchise consultant with FranNet, is not surprised that this type of franchise is attracting increased attention.

"We, as consumers, are too busy and want to have stuff done by other people or we just physically can't do it anymore," Prenevost says. "On the franchisee side, service-based businesses cost less to start, as many of them are either home-based or small office-based. You'll find lower initial costs and lower day-to-day expenses." Also, he adds, many people, such as those coming from a corporate background, will find that a lot of their business acumen and managerial skills will transfer well to their new service-based franchise venture.

Prenevost agrees. “It’s a huge trend and the consumer demand here is naturally attracting interest on the franchise investment side.”

Premier Homecare Services, which provides accredited non-medical care to help clients remain independent as long as possible, is seeing the increased demand from both sides. “With the Baby Boomer generation aging and people wanting to stay in their homes, the market potential is enormous,” says Premier’s founder and President David Watson. “Many franchisees are coming to home care looking for a way to give back to the community while building a business.” Personal experience is also a factor. “They may have gone through it with their parents, like I did, or their grandparents and they’ve seen what’s available and thought, ‘Maybe I can do better.’”

Though there is much demand and many opportunities, prospective franchisees should consider the skill-set required to succeed and make sure it’s a good fit.

“First and foremost, we look for entrepreneurs who care,” Watson explains. “They should have business sense and be driven, organized, professional, and managerial and that should be complemented with compassion, energy, empathy, understanding, and good communication skills. Every situation is personal to the client, so we focus on showing that we genuinely care and treating everyone – caregivers, customers, their family members – with respect.” It’s doing the little things, Watson says, like franchisees personally answering phone calls, that makes the difference in this sector.

“It’s a people business before anything else,” says Prenevost.

6 Health & Fitness / Nutrition

As the population ages, the experts point out, the demand for the products and services offered by health, fitness and nutrition franchises will rise with it.

“When we first saw health and fitness franchises popping up, it was regarded as a fad. But over the years, the fitness industry has proven itself to be very popular and also very versatile. It started with the bigger fitness centres, which remain popular, and now we’re seeing more and more niche players coming onto the scene,” says Prenevost, noting that there is room in the market for both styles.

Canadians also continue to become more educated about making healthier choices and finding the time to make their health a priority. As a franchise that provides the benefits of a personal trainer at a fraction of the cost through heart-rate-monitored high-intensity interval training, Orangetheory Fitness is capitalizing on this movement. “There is a growing emphasis and global awareness on the importance of health and fitness. This has inspired so many new offerings within the industry and has resulted in greater attention to it,” says Orangetheory’s Dominic McKenzie. “Being involved in the health and fitness sector has the personal reward of witnessing and sharing in people’s fitness journey. It is an amazing

opportunity to witness the emotional and physical changes a person experiences during their transformation. These life changes and personal gains fuel a positive energy that is quite contagious.”

“Being involved in the health and fitness sector has the personal reward of witnessing and sharing in people’s fitness journey.”

– Dominic McKenzie, Orangetheory Fitness

For franchisees, enthusiasm for healthy living is critical to success. “It’s characterized by an inherent motivation to help others, especially with personal health and fitness goals. This genuine passion for health and fitness is an important personal quality and success factor,” McKenzie says. “The business you’re attracting is rooted in a population that wants you to help them achieve their goals. They are looking for support and guidance, and that honest desire to help will quickly carry over in a very positive way.” Experience in sales, customer service, operations and management, he adds, are also very beneficial. ✨

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First Impressions and Lasting Success

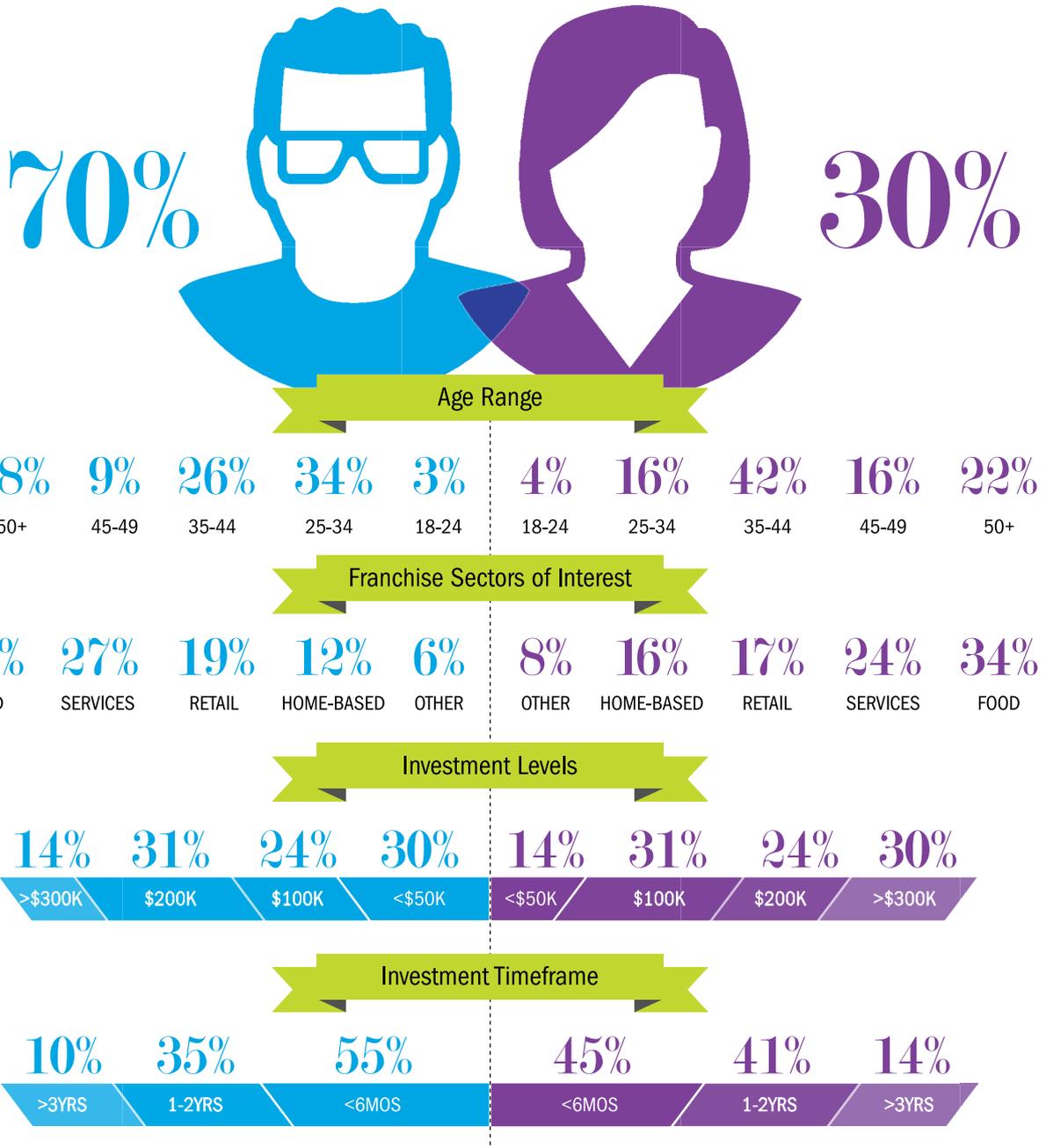
While these trends reflect the franchise sectors in which people are exploring, they may end up finding that their interests and capabilities ultimately lead them in a different direction.

“When they start their franchise investigations, they’re starting here. Where they end up is not consistently where they start looking, however,” says franchise consultant Gary Prenevost of FranNet.

This is why it is so important for prospective franchisees to fully investigate and evaluate franchise systems before signing on. The best way to know if the franchise opportunity you’re initially attracted to will be a good fit in both the short term and the long term is to do your research. As there are so many opportunities to choose from in these and other categories, regardless of trends, “prospective franchisees have to make sure they are doing their due diligence and choosing the right opportunity for them,” says Wayne Maillet, a franchise consultant with Franchise Specialists.

A Snapshot of Today's Prospective Franchisees

We've been talking about prospective franchisees and the sectors in which they're interested, but who are these soon-to-be business operators anyway? Using data from franchise searches on LookforaFranchise.ca and responses from on-site surveys at The Franchise Show, Canada's only all-franchise tradeshow, *FranchiseCanada* presents a snapshot of what today's prospective franchisees look like and where, when and how they plan to invest in a franchise.



For even more prospective franchisee details and data, go to www.FranchiseCanadaMagazine.ca

First Learned About Franchising

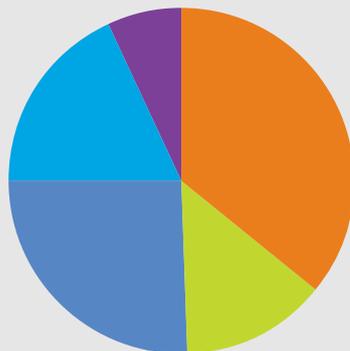
39%

INTERNET

31%

TV/RADIO

Popular Franchise Sectors



FOOD **42%**
 HOME-BASED **16%**
 SERVICES **30%**
 RETAIL **21%**
 OTHER **8%**

Average Investment Levels



12.8%

UNDER \$10,000

24.6%

\$50,000 - \$100,000

8.7%

\$300,000 - \$500,000

20.3%

\$10,000 - \$50,000

29%

\$100,000 - \$300,000

4.7%

OVER \$500,000

Level of Education



10%

HIGH SCHOOL GRADUATES

62.2%

COLLEGE / UNIVERSITY GRADUATE

27.7%

GRADUATE DEGREE OR HIGHER

Average Time Per Week Investigating Franchise Opportunities

UNDER AN HOUR **26%**

1-2 HOURS **32%**

3-5 HOURS **22%**

OVER 6 HOURS **11%**



Average Age Range

25-45 Y/O

5%

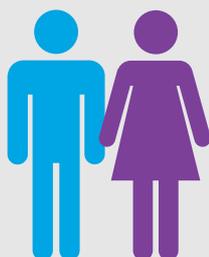
UNDER AGE 24

22%

OVER AGE 50

Prospective Franchisees in Canada are:

70%



30%

Are looking to invest within:



51.7%
6 MONTHS

7.1%
3-4 YEARS

36.7%
1-2 YEARS

4.5%
5+ YEARS

Source: www.LookforaFranchise.ca and The Franchise Shows attendees, 2011-2013.