



Economic Information Observatory
a regional cooperation project between
Atlantic Canada and **Saint-Pierre and Miquelon, France**

Commercial Franchises, a Growing Sector



Atlantic Canada (p. 1-4)

Saint-Pierre and Miquelon, France (p. 5-8)



Commercial Franchises in Atlantic Canada

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Commercial franchising is a widely used **business structure** across Canada. For franchisees, it provides access to the franchisor's business system under the terms of a franchise contract granting it the right to use the franchisor's business name and operating system subject to payment of a start-up fee followed by ongoing franchise fees. A franchisee is then obliged to comply with the operating standards prescribed by the franchisor. What sets the franchise contract apart from a dealership, trademark licensing or affiliation is the notion of **support** and **transfer of know-how**. Canada is a **global leader in terms of number of franchises per capita** and, based on estimates, is home to more than 78,000 franchise units representing an estimated \$70 billion to \$90 billion in economic spin-offs. In light of the fact that 82% of franchise owners in Canada are between 25 and 54 years of age and 30% of them are highly educated, this business structure is clearly continuing to grow quickly in popularity and drive entrepreneurship, including at the regional level. In 2018, 5% of new franchisees were based in Atlantic Canada.

Trends in 2018

Popular franchise concepts in 2018:

"Green" or sustainable businesses

Franchises striving to achieve minimal impact on the environment (e.g. solar panel installation, energy savings consulting)

Franchises making use of environmentally friendly technologies and practices (e.g. emission control systems, eco-friendly cleaning products)

Businesses promoting healthy eating

Companies in the food sector are benefiting by embracing new practices (e.g. displaying the calorie counts of their products). The trend toward healthy eating includes incorporating organic dining choices into food offerings (e.g. poultry raised without antibiotics).

Healthy fast-food dining in a relaxed atmosphere

To stand out amid their competition, some fast-food chains have begun offering e.g. gluten-free or vegetarian options as well as organic dishes.

Home care companies

For many people aged 65 or older, home care companies will provide an alternative to living in a retirement home. In Canada, the baby boomer generation is approaching this age.

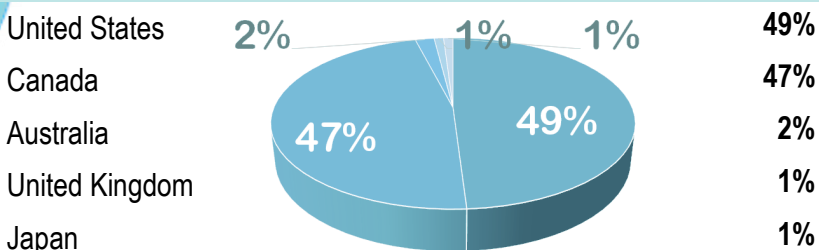
The joint venture: A Canadian concept

In Canada, there is a **hybrid business concept** referred to as the **joint venture**. Inspired by the franchise concept, this formula enables new franchisors to closely monitor the growth of their company while benefiting from the efforts of the co-shareholder and collecting half of the profits; the franchisee, meanwhile, benefits from the franchisor's expertise, know-how and brand name as well as its financial investment also demonstrating its interest in helping to ensure the success of the franchise.

In Canada, the **Canadian Franchise Association (CFA)** has been representing the interests of that sector since 1967. With more than 600 corporate members across the country, the CFA provides representation to policy makers and organizes a number of major events each year. The CFA also administers three different industry distinctions: the CFA Awards of Excellence, the Franchisees' Choice designation and the CFA Recognition Awards.

Which countries own the 100 most popular franchises in Canada?

42% of these franchises are in the food industry



More information: BeTheBoss.ca, <<http://betheboss.ca/>>; Canadian Business Franchise, <<https://www.franchiseinfo.ca/>>; Canadian Franchise Directory, <<http://www.canadafranchiseopportunities.ca/>>; Canadian Franchising, <<http://www.canadianfranchising.ca/>>; Canadian Franchise Association (CFA), <<https://www.cfa.ca/>>; CliquezJustice.ca, <<https://www.cliquezjustice.ca/>>; Franchise-Canada.org, <<http://franchiseCanada.org/>>; Innovation, Science and Economic Development Canada, <<https://www.ic.gc.ca/>>; McCarthy Térrault, <<https://www.mccarthy.ca/>>; Canada Franchise Opportunities, <<http://www.canadafranchiseopportunities.ca/>>; Canada Business Network, <<https://canadabusiness.ca/>>; World Franchise Council, <<https://www.worldfranchisecouncil.net/>>.

Impact of the Franchise Sector on the Canadian Economy

FRANCHISES



700
franchised
brands



more than
60
economic
sectors



1,200 to
1,300
franchise
businesses



78,000
franchise units
or points of sale



with
4,000
new points of
sale annually



the **500**
largest U.S.
franchisors
are all
active
in Canada



~\$70
billion
in annual
revenues
in the
franchise sector
in Canada



45%
of all retail
sales are
generated by
a franchise



**\$1 of
every \$5**
in Canada on
average is
spent on
goods or services
distributed by a
franchise



1.5
million
jobs are
created by
franchises



40%
of franchises are
associated
with the
accommodation
and food
services sector



1 Canadian
in **14** is
employed by a
franchise



\$25K
average
start-up cost



between
\$150,000
and
\$200,000
average total
cost



97%
survival rate
after 5 years
in business



+4.4%
average annual
growth rate in this
industry sector



5%
of future
franchisees
are from
Atlantic Canada



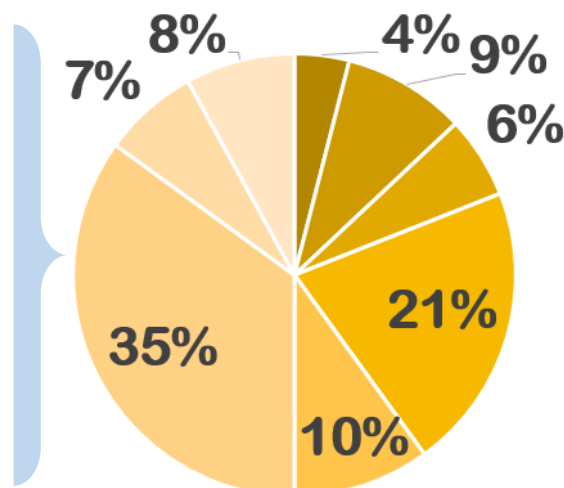
2nd
largest franchise
industry globally
after the
United States

OPERATIONS

Detailed Picture of the Franchise Sector

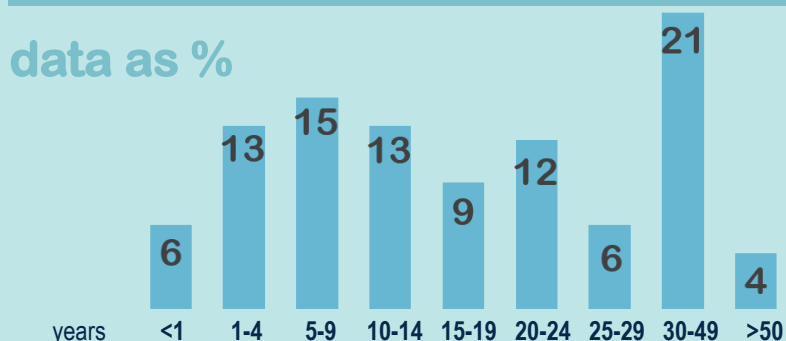
Breakdown of Canadian franchises
by economic sector

Fast food services	35%
Consumer goods and services	21%
Full restaurant services	10%
Business-to-business	9%
Retail sales	8%
Geriatric health and management services	7%
Children's and infants' products and services	6%
Vehicle services and parts	4%



Franchise resilience over their lifetime
Frequency of total years in operation

data as %



Breakdown (as %) of franchise brands
in Canada by province

Province	Head offices of leading franchises with a national presence (as %)	Presence of points of sale or distribution as % by province
British Columbia	14	57
Alberta	10	60
Saskatchewan	1	34
Manitoba	1	34
Quebec	12	30
Ontario	57	88
New Brunswick	1	32
Nova Scotia	4	35
Prince Edward Island	-	20
Newfoundland and Labrador	-	22

Top 15 Canadian franchises in Canada

Rank	Company name	Number of units	Year founded	Industry
1	Tim Hortons	3500	1964	Coffee
7	Pizza Pizza	724	1967	Food
10	Country Style Foods	500	1962	Coffee
12	M & M Meat Shops	409	1980	Retail sales
16	Second Cup	360	1975	Coffee
17	Canadian Tire	350	1960	Retail sales
19	Boston Pizza	348	1964	Food
22	Mr. Sub	317	1969	Food
26	Coffee Time	300	1982	Coffee
27	Booster Juice	285	1999	Food
29	Liberty Tax Service	258	1972	Financial services
30	Pet Valu	248	1976	Pets
32	Extreme Pita	236	1997	Food
33	Bulk Barn Foods Ltd.	229	1982	Retail sales
34	Thai Express	218	2000	Food

Save the date!

Canadian Franchise Association events
February 24-25, 2018
Franchise Canada Show, Toronto
March 1, 2018
Franchise Your Business, Toronto
March 28, 2018
CFA thematic webinar
April 11, 2018
CFA thematic webinar
April 22-24, 2018
National Convention, Ottawa
June 21, 2018
Atlantic Golf Tournament
https://www.cfa.ca/eventscalendar/

Franchise Community in Atlantic Canada

Prince Edward Island

Sports

Charlottetown Islanders <<http://charlottetownislanders.com/>>

The Charlottetown Islanders are a team in the Quebec Major Junior Hockey League (QMJHL). Known previously as the Montreal Rocket, the team was relocated to Prince Edward Island in 2003 and rebaptized the P.E.I. Rocket. Ten years later, in 2013, the franchise was bought out by Geoff Boyle and a group of local investors who have maintained the team's presence in Charlottetown under the name Charlottetown Islanders.

Fair trade

How Bazaar <<http://www.howbazaar.rocks/>>

How Bazaar opened its first store in Prince Edward Island 17 years ago, featuring items brought back from trips to Thailand, Indonesia and India – including clothing, jewellery, accessories, decor items and musical instruments – for resale at low prices. A total of six stores are currently serving Island customers with a seventh franchise set to open its doors in Halifax in 2017.

Nova Scotia

Food service

King of Donair <<http://www.kingofdonair.ca/>>

It was Peter Gamoulakos, a Greek restaurant operator who had resettled in Halifax, who in the early 1970s sold the first donair – as it is known today – with its special sauce and went on to open the first King of Donair counter in Canada. Inspired by the gyro, a traditional Greek sandwich, the donair was successfully adapted by Mr. Gamoulakos to the tastes of Nova Scotians. Today, King of Donair franchises are operating in both Nova Scotia and Alberta.

Burrito Jax <<http://www.burritojax.com/>>

The first Burrito Jax restaurant opened its doors in Halifax in 2008, and franchising began not long afterward. The chain is currently active across the Atlantic Provinces, with seven restaurants serving up their healthy offerings.

Home inspection

A Buyer's Choice Home Inspections <<https://abuyerschoice.com/>>

This company has expanded rapidly to become the largest home inspection franchisor in Canada. It currently has more than 200 franchise owners in 19 countries around the world, including the United States, Chile, the Czech Republic, Slovakia and New Zealand.

New Brunswick

Entertainment

Dooly's <<http://www.doolys.ca/our-story-1>>

The first Dooly's was started up in Moncton NB in 1993, followed by Riverview in 1994. The concept was simple: a bar-lounge featuring multiple pool tables to provide its adult clientele a fun place to meet. Numerous Dooly's followed soon after in the rest of Atlantic Canada. Today there are 61 Dooly's operating in seven Canadian provinces.

Food service

Pizza Delight <<https://www.pizzadelight.com/>>

In 1969, three partners purchased a take-out restaurant in Shediac NB with a dream to eventually have 80 establishments across the country. Nearly 50 years later, franchises can be found across New Brunswick as well as in Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and Ontario.

Real estate

PropertyGuys.com <<https://propertyguys.com/>>

This New Brunswick company has successfully transformed the traditional model for commissions on real estate transactions. The company works directly with home vendors and buyers, offering them a full range of professional services. The enterprise has prospered since its founding some two decades ago, currently counting 120 franchisees across Canada.

Coffee shops

Second Cup <<https://www.secondcup.com/>>

Tom Culligan of Belledune NB co-founded Second Cup, a coffeeshop concept which today boasts more than 300 units across the country, in 1975 with partner Frank O'Dea. Culligan later purchased his business partner's share in the company. After reaching the 150-unit mark, Culligan sold the company in 1988.

Newfoundland and Labrador

Food service

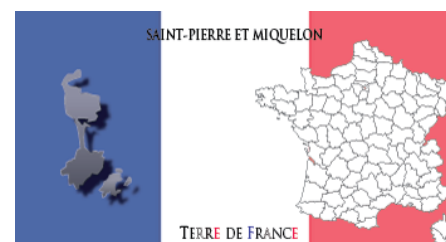
Mary Brown's <<http://marybrownsfranchising.com/>>

Founded in 1969, this family restaurant specializing in chicken is today nearing the half-century mark. More than 130 franchises are currently operating across Canada, and initial steps were recently taken into the United States market with the opening of a first franchise in Florida. Sales have been growing steadily over the past 14 years.

Sports

National Basketball League of Canada's St. John Edge

This franchise in Newfoundland and Labrador has experienced great success since it came to that province in 2017 in the form of strong game attendance and spin-off sales for businesses located around the Mile One Centre.



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The scale of franchising in France in 2016:

- Number **one** in Europe
- **Third** globally
- **1,900** networks
- **71,508** franchised points of sale
- **55.10 billion** in revenue
- **618,845 jobs** (direct and indirect)



The **French Franchise Federation** is a professional federation that represents 45% of French franchisees.

The FFF is an interface between government bodies, network founders, entrepreneurs and investors. It educates and informs future business starters on the franchise model and supports the networks (franchisors and franchisees) in developing their franchise in France and globally. Website: <https://www.franchise-fff.com>

Franchising in France




Franchising is a form of business by which the franchisor, the network founder, gives its franchisees the right, and the obligation, to run a company in accordance with its marketing concept. It's a method that enables entrepreneurs to launch their business more quickly, optimizing their chances of success, and franchisors to underpin their business growth with a network of business leaders active in their local market.



The 37th Franchise Expo Paris, Europe's biggest franchising trade show, will be held at Porte de Versailles exhibition complex from 25 to 28 March 2018. The event attracts over 500 exhibitors and 35,000 visitors, covering some eighty areas of activity and staging 120 conferences and workshops. For more information: <http://www.franchiseparis.com>

Web platforms providing guidance and liaising between franchisors and potential franchisees:

 **Toute la Franchise** <http://www.toute-la-franchise.com>

 **AC Franchise** <https://ac-franchise.com>

 **hellofranchise** <http://www.hello-franchise.com/>

 **easyfranchise** <http://www.easyfranchise.fr/home>

 **FRANCHISE DIRECTE** <https://www.franchisedirecte.fr/>

 **CANAL FRANCHISE** <http://www.canal-franchise.com/>

 **POINT FRANCHISES** <http://www.pointfranchises.com/>

 **Observatoire de la franchise** <https://www.observatoiredefranchise.fr/>

Benefits and obligations



Benefits of franchising

Although they belong to a franchise network, franchisees own their company and so are legally and financially independent. **Franchisees benefit from:**

- the brand image, company reputation and business management system designed and trialled by the franchisor
- superior professional management via the transfer of proven expertise and active support from the franchisor at every development stage (initial training, further training, assistance, etc.)
- advertising clout
- easier access to financing
- a less risky launch and quicker growth

Franchisees need no longer concern themselves with what the franchisor does for them, such as communication and marketing, choosing collections, logistics, the content of training or research and the development of expertise.

Obligations

Above all, franchising remains a contract binding two parties, requiring them to meet certain obligations and accept certain shortcomings. **The franchisee is required to:**

- respect the concept's intent, meet quality standards and follow the franchisor's business strategy
- oversee development of the concept and expertise
- obtain supplies from the franchisor or listed suppliers
- possibly make a greater initial investment in the franchise than in a startup (in return for better locations and higher standards)
- compensate their franchisor for their contributions (service fees, royalties, etc.)

Franchising can hinder the desire for total independence that drives certain entrepreneurs.



Other organized forms of business :

Similar to franchising, several arrangements also make it possible to **join a brand**:

- ♦ Brand licensing: The purpose of the contract is primarily use of the brand. The network head makes its brand available to its partners, often accompanied by a goods supply contract. However, the brand license excludes training and assistance.
- ♦ Concessions: The manufacturer makes its brand and/or tradename available to concessionaires and outsources the sale of its products, guaranteeing them exclusivity in a given territory.
- ♦ Commission-based selling: Based on implementation of a contract by which a company (the principal) consigns its goods to another company (the agent). The stock remains the principal's property. The agent is responsible for selling the goods for commission.
- ♦ Cooperatives (or member-owned business): Members benefit from the pooling of resources whilst maintaining significant entrepreneurial independence.

French franchises internationally

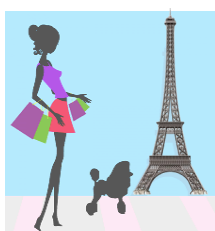


In globalized business, the French touch offers companies invaluable access to international markets, particularly in the food, fashion and beauty industries.



Food benefits from the image of [French gastronomy](#).

In the **bakery market**, the association with France sells. Many brands in the sector fully exploit that advantage. They include the Paul, La Mie Câline and Brioche Dorée networks.



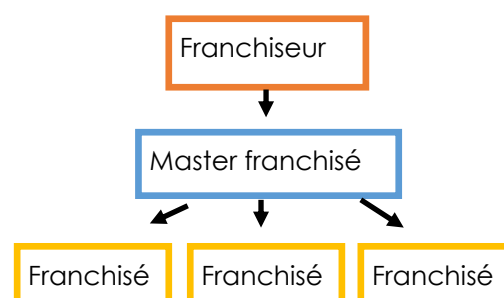
Fashion and beauty: Another popular sector for French brands. [French elegance](#) sells, whether for jewellery, fragrances, ready-to-wear or beauty. The phenomenon is illustrated by the international success of brands such as Yves Rocher and its natural cosmetics concept, or the unstoppable L'Occitane en Provence, whose made in Provence products are sold by 2,300 boutiques in eighty countries.

➡ 22.82% of French brands export. French franchisors have managed to develop their networks overseas, whilst there are only 15.65% of foreign franchisors in France.

Master franchises for international expansion

Companies that **want to export** their concept internationally have several solutions: **subsidiaries, joint ventures, direct franchises or master** franchises. Growth can be achieved via owner management (subsidiaries), within a business arrangement involving two or more parties (joint ventures), or in partnership with independent companies (master or direct franchises).

The franchisor grants the **Master Franchisee** a license to launch the franchise network in a given country. In liaison with the franchisor, the Master tailors the franchise concept, making it **consistent with the chosen country's** market, and tests it using at least one pilot point of sale. Therefore, it takes responsibility for the franchisor's duties as a "Master": research, training and assisting franchisees. **The Master** is both franchisor (towards its franchisees) **and franchisee** (towards the "parent brand").



Franchises in Saint-Pierre and Miquelon



Summary of the main support and management structures per business type:

	Common tradename	Joint purchasing	Architectural concept	Expertise	Territorial exclusivity	Assistance
Franchise	✓	✓	✓	✓	Often	✓
Brand licensing	✓	✗	✗	✗	✗	✗
Concession	✓	✓	Sometimes	✗	✓	Sometimes
Commission-based selling	✓	Stock belongs to the network head	✓	✓	Sometimes	✓
Cooperative	✓	✓	Sometimes	✗	✓	Sometimes

Although strictly speaking there is no franchising in St-Pierre and Miquelon, local companies have chosen to join a major brand via another form of business. Given the French archipelago's unique geography, these companies have opted to work with a Canadian rather than a French brand.

In St-Pierre they include the company led by Romuald Derrible, which is part of the RONA brand.

When interviewed, the director explained that he chose a Canadian brand to obtain firstly **shorter delivery timescales** (on average one week with a Canadian supplier versus two months to receive an order from France) and secondly construction materials and supplies that are **more suitable** for the cold and wet ocean **climate**.

Created in 1939, RONA is a banner of Lowe's Canada, one of Canada's leading home improvement companies headquartered in Boucherville, Quebec. Spanning the entire country, its vast network of more than 430 stores includes both corporate stores and independent affiliated dealers.

INTELL-ECHO



Are you seeking business opportunities in this sector?
CACIMA and FCCC-AN can facilitate your business prospection process and help with establishing new partnerships
(targeted information and network contacts)

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