

October 17, 2011 09:00 ET

REPEAT-BMO Survey: 51 Per Cent of Franchise Owners Like the Proven Business Model

- **Franchisees stand to benefit from growth in retail and service sectors**
- **Franchised businesses account for over 40 per cent of all retail sales**
- **Over 78,000 franchises across Canada employ over 1.5 million people**

TORONTO, ONTARIO--(Marketwire - Oct. 17, 2011) - A report by BMO Bank of Montreal released today revealed that, among franchise owners, over half chose to own a franchise instead of starting their own business because franchises provide a proven business model, and 53 per cent said being a franchisee was their first career choice.

The survey, conducted by Leger Marketing for BMO Bank of Montreal, asked franchise owners for reasons why they chose that particular model; recognizable name and brand was the most frequently mentioned (28 per cent). Other reasons included having a higher chance of success because of the proven business model (23 per cent); being your own boss (21 per cent); and access to training and central support from the franchisor (15 per cent).

"With only 10 per cent of Canadian business owners operating a franchise, there is still room for more franchisees in Canada," said Steve Iskierski, Senior Manager, National Franchising Services, BMO Bank of Montreal. "Franchisees within both established and growing networks continue to benefit from having proven business models as well as recognizable name and branding in the marketplace."

Steady growth in the economy and jobs, together with persistent low interest rates, should support consumers, and retailers, in the months ahead, says BMO Economics.

"Despite continued healthy job growth and low interest rates, sales at Canadian retailers (excluding automotive dealers and gasoline stations) moderated to a 1.1 per cent year-over-year rate in July from 3.3 per cent in 2010 due to elevated household debts and weaker consumer confidence arising from global economic concerns. Sales are expected to remain moderate during the holiday shopping season, with the strong Canadian dollar encouraging cross border shopping and high gasoline prices restraining purchasing power," said Sal Guatieri, Senior Economist, BMO Capital Markets.

The latest outlook from BMO Economics indicates that the Canadian economy will grow at 2.2 per cent in 2011 and expand at a somewhat slower rate next year. Growth prospects for small business owners should parallel their respective sectors.

- **Retail, including food services** – Inflation-adjusted growth of around 2 per cent is expected this year, supported by decent job growth and low interest rates
- **Resource** – Canadian commodity price index is up 2 per cent in the past year and is expected to increase a similar amount in 2012

If you are thinking about franchise ownership, BMO suggests ten key points to consider:

1. Who's buying what are you selling?

- Is there strong consumer demand, and is the demand expected to continue?
- Who are your competitors, and could more enter the market in the next few years?
- Is the product or service of outstanding quality, and how does its quality compare to the competition?

2. Do your research

- What's the story on the franchisor's business record and reputation?
- What do government consumer protection agencies, the Canadian Franchise Association and your local Better Business Bureau have to say about this franchisor?
- Is the franchisor's infrastructure comprehensive and stable?

3. Read the fine print

- Have you reviewed the franchise agreement with an independent lawyer who specializes in franchise law?
- Are the terms of the agreement in line with your expectations?
- Does it cover the challenges you will face in running an independent business?

4. Do they have staying power?

- Is the franchisor financially strong and stable?
- What is the background and experience of senior management?
- Does the franchisor make available a "Disclosure" document?

5. What does it cost and what do you get for it?

- How is the franchisor compensated?
- What does the franchise fee cover?
- What do you receive in exchange for on-going royalty payments?

6. What's in it for them?

- Does the franchisor own the land or building?
- Is the franchisor prepared to go on the lease?
- Will the franchisor provide you with financial assistance?

7. Is there room to grow?

- What is the franchisor's plan for expansion and target markets for growth?
- Will your franchise be located where the traffic and demand are likely to be?
- Are you assured of exclusive rights to the franchisor's product and service?

8. Will you have the research, tools, and support you need?

- Does the franchisor thoroughly research new markets using reliable and credible market research methods?
- Will you, as a potential franchisee, have access to marketing and product information regarding your industry as well as your specific business?
- Will the franchisor assist you in the development of your business plan?

9. Do you fit the profile?

- What kind of people is the franchisor looking for as potential franchisees?
- Is there a typical franchisee profile?
- Is there any special training, educational or other requirements the franchisor would ask of you?

10. Get the big financial picture

- What is the total cost, including staffing, equipment, inventory, leasehold improvements, taxes, advertising and promotion?
- What is the minimum cash commitment you must make?
- Has the franchisor established a pre-arranged financial services program for franchisees with a financial institution?

The survey was completed between August 30 and September 16, 2011, with a sample of 509 small, medium and large business owners in Canada. A probability sample of the same size would yield a margin of error of ± 4.4 per cent, 19 times out of 20.

Contact Information

- For media inquiries, please contact:

Paul Cunliffe, Toronto
416-867-3966
paul.cunliffe@bmo.com

Sarah Bensadoun, Montreal
514-877-8724
sarah.bensadoun@bmo.com

Laurie Grant, Vancouver
604-665-7596
laurie.grant@bmo.com
Internet: www.bmo.com