

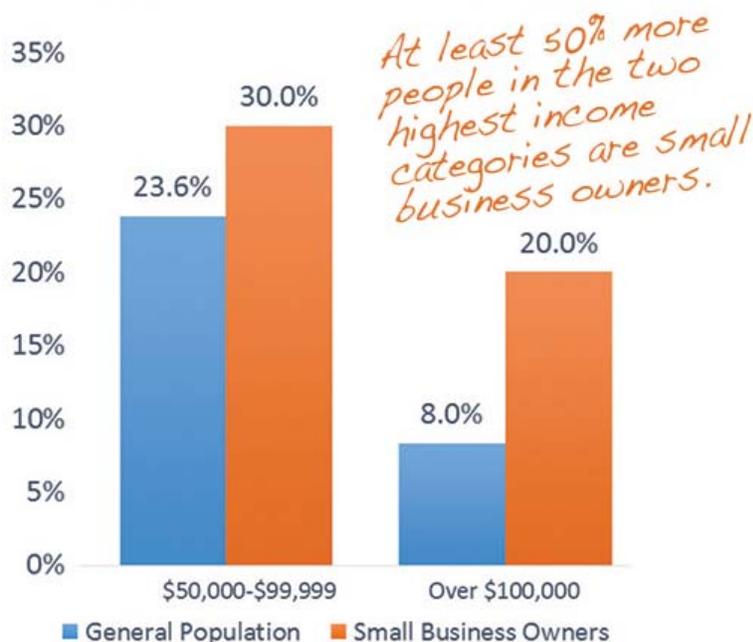
The Value of Hard Work

I vividly remember a Forbes article about how entrepreneurs earn, on average, 50% more than employees of similar skill, age, and education levels.ⁱ The article went on to say that the authors of the studyⁱⁱ thought the income disparity didn't come from tax benefits or some other factors, but comes from the higher level of personal control offered by entrepreneurship. **Your hard work is more focused in entrepreneurship than in corporate life;** you are focused on your strengths – therefore your returns on that effort are higher.

Do I believe Canada looks like the countries where these studies originated? The Canadian data to the right shows it's likely true – when you compare the income distribution of small business owners to that of the general population as a whole, there are at least 50% more people in each higher income category who are small business owners.^{iii, v} Do I believe that just because you are an entrepreneur, you are going to make more money? Absolutely not.

But I feel many people in the corporate world have a rising sense of discontent with the barriers they face; which, as shown in the graphs on the next page, is driving them to explore business ownership as an alternative career path.

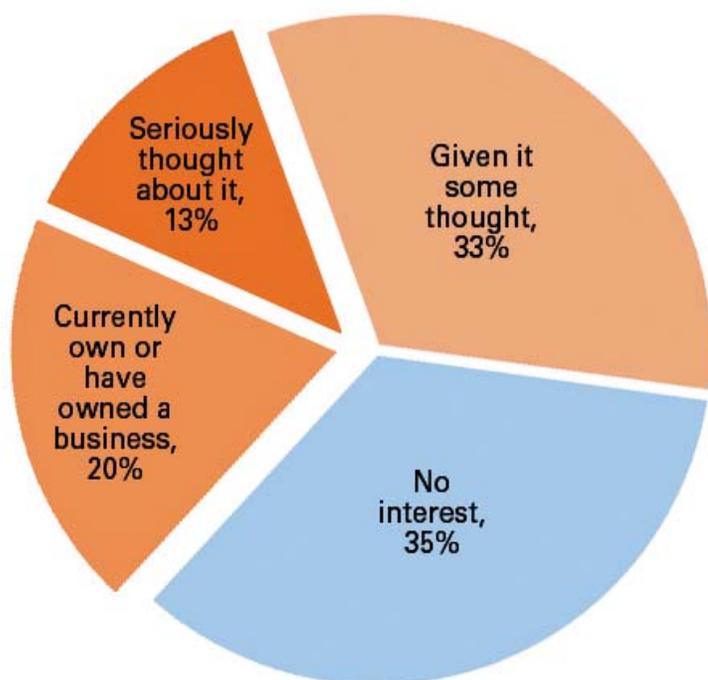
Comparison of Employee and Small Business Owner Income in Canada



Over his 25 year career in the franchise industry, Gary Prenevost has bought franchises for himself, brought new franchise concepts to Canada, coached hundreds of entrepreneurs, and has become a sought-after media source. He also sits on the board of the Canadian Franchise Association. Gary is the owner of FranNet of Southern Ontario and Eastern Canada, where he helps people explore their entrepreneurial options; his FranNet franchise has helped over 600 families find a franchise that fits their needs.

Will I make more in business or as an employee?

What are your thoughts on the idea of starting a business?
(% response)



Source: Angus Reid Forum poll (2,028 responses)

Many Canadians (65%^v) have at least thought about starting a business. My experience though is that most do not have a clear sense of how to pursue this path because it's so easy to become overwhelmed by the myriad of franchise options available; nor do they have a real sense of the actual impact business ownership can have on their personal income and lifestyle. Today, 94% of Canadians admire entrepreneurs.^{vi} It's desirable to be a business owner, and doing it properly means having a care toward personal and financial impact.

What I've personally found is that a study like the one to the left *does not* prove the case for a person: how entrepreneurship impacts you.

If you are looking at entrepreneurship because you want higher income in the short term, think again.

Corporate employment will give you higher income short term, but it's a short term strategy too. In my experience, as you get older you will find you are making less and less on each contract, and the gaps between contracts get longer. My clients don't see entrepreneurship as a panacea, they see it as a path to longer term wealth that also protects them in the later stages of their careers.

Business ownership is not a short-term fix. It's a path to longer term satisfaction, better utilizing your skills, and creating wealth. But – you need to be crystal clear in your own mind about what you value. What do you want out of business ownership?



"Business ownership is not a short-term fix, it's a path to longer term satisfaction, better utilizing your skills, and creating wealth."

Gary Prenevost

Staying in Business

The most important thing you should consider when starting a business is knowing how to STAY in business... in other words, learning what the critical roles of the owner are. Very few people coming into my office name this as their number one priority. **Let's say I have two investments:**

- 1) One delivers a healthy 20% return every year over 5 years and has a 92% chance of survival (i.e., the investment is still delivering a profit after 5 years rather than losing your investment).
- 2) The other gives you a whopping 50% more return – but the catch is you have 50% lower survival rate.

For the AVERAGE person, which gives you a higher return?

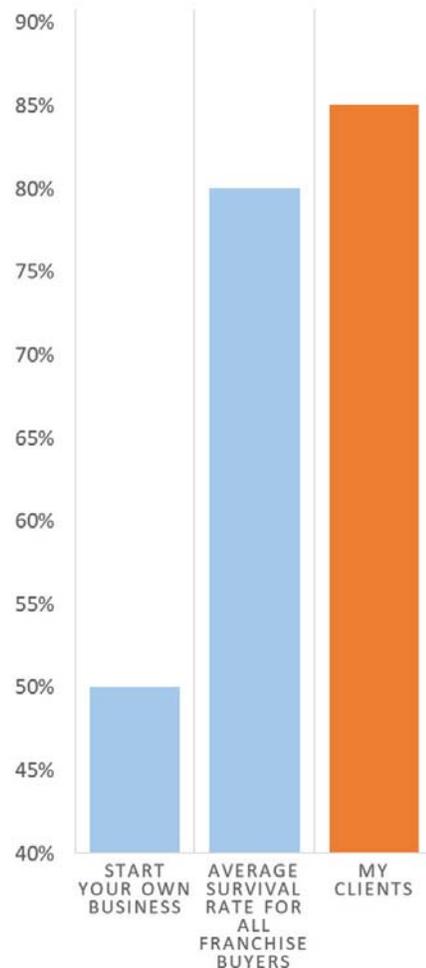
Understanding the importance of survival rate is critical, so I'll be blunt. In case number 2 above, HALF the investors will need to tell their spouse how they lost the entire investment. The return is irrelevant since success rate is no better than flipping a coin. Guess what... starting a business from scratch in Canada only has a 51% survival rate.^{viii}

Survival rate is the difference between **investing** and **speculating**. Investing is researched before buying to know it's a good idea!! Speculating is when you are wooed by the illusion of a good idea, and buy without sufficient knowledge!

What I know is that when people **treat franchise ownership like an investment** of both money, and a startup year where they don't make money, people can do well; from a 2012 study 85%^{ix} of FranNet's clients have done well and were still in business after 5 years.

** See references page more detail on these statistics*

Survival Rate by Type of Business



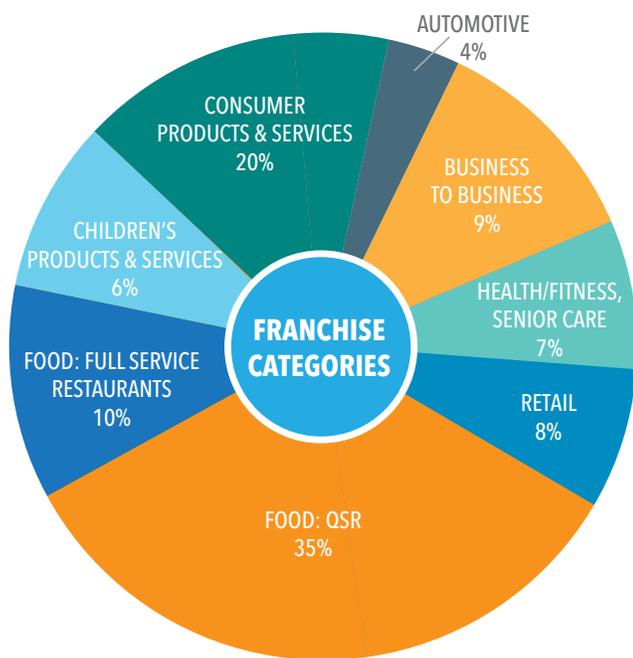
"I'm 65 years old. I've bought a franchise that's been in business for 27 years. They've been really refining their processes. I could try to do this business on my own. But I'm getting a great wealth of knowledge and experience and support that they have built up in their systems and processes that would cost me a fortune and a lot of time and a lot of trial and error to figure out on my own."

Geoff Tooton, Franchise Owner
TAB - The Alternative Board



How does franchising help you maximize your chance of success in business?

Franchising is not just food and retail, there are over 1,200 franchise concepts in Canada spanning 80 different industries. Retail and restaurant might be the most visible segments of franchising, but there are numerous viable businesses amongst the other 78 areas. Franchising is not about industry, **it's about repeatability and showing prospective franchisees an effective way to execute a proven business model** they can be excited about ... that closely aligns to their skills, interests and values. When done right, it becomes an exciting way to make money!



Just because something is franchised it doesn't mean it's "good" – it just means that it's been duplicated.

I avoid franchises that fail in one of three areas: the "System"; the "Leadership"; and not being "On Trend." Being "On Trend" is about understanding the macro and micro trends that can favourably or adversely affect business. Part of your research needs to be about thoroughly understanding the trends that relate to the franchise you are considering. When you buy a franchise, you buy two key assets:

1. Consider the "System" as an exponentially consolidated learning curve that franchisors have both created and refined through the cumulative experience of all their franchisees. **This System is why franchising, in general, has a 50% better rate of survival than simply starting your own business.** The franchisor has typically already invested hundreds of thousands to millions to determine the best way to successfully acquire AND keep customers, do marketing, operations, set up finance/accounting, staff recruiting and train you to manage the business. If the system is not strong, you risk buying a "lemon."
2. The strength of the corporate office and Leadership to sustain that System and remain financially strong.

As you can see from the graph (previous page) the survival rate for FranNet clients is higher than franchising in general. I only want our clients in Systems and/or opportunities where the financial resources and executive depth of the franchisor are strong, AND where the core roles required to successfully run the business are a solid match to the skills, interests and experience my clients bring to the equation.

I want you to be investors and operators... not speculators.



I don't sell franchises.

I work for you, the potential franchise BUYER to get to a defensible YES or NO decision.

Most people I meet for the first time have never bought a business before, let alone a franchise. You want to explore business ownership but are nervous; you have questions, and are not even really sure this is all for you. Because I've been through the process thousands of times (literally) I can advise you of best research practices so you know how the process of acquiring a business works. As you advance through a proven process and we discuss your findings in detail during our weekly calls together. I'm your wingman... **I'm the guy you rely on to help keep you in safe territory.**

Like all professional advisors (e.g., accountant), I don't pressure or chase you – over 60% of our clients go through the process and realize franchising is not for them. **You don't pay me;** I get paid by the franchisor much in the same way the real estate industry works. To be successful at representing the buyer, I have to bring three critically important skills to the table:

- 1) I need to help you figure out what kind of business you'd be good at and enjoy. I call this your Ideal Business Model.
- 2) I whittle the franchise opportunities down to only those options that are high quality and a strong fit to your business model.
- 3) I help you be selfish by guiding you through every aspect of your research. You must be able to satisfy yourself that the investment is a good one – for your specific situation. Yes or no is always your choice.

"Gary Prenevost is the real deal. He's articulate. He's professional... He cares more about you as an individual than about selling a franchise. He doesn't want you to get into the wrong franchise."

**Craig Thompson, Franchise Owner
I Love Kickboxing**



Test

Take a simple test without flipping to the next page – and let me show you.

List three strengths you bring to a business.

1. _____
2. _____
3. _____

List three things you hate doing or would not be good at doing (in business)?

1. _____
2. _____
3. _____

No Cheating and Looking Ahead

Fill in the list!

Now I'm betting the attributes you listed represent skills you bring to the table, but they do not predict whether or not you will enjoy the business you buy.

That's where I come in. Let's say a person is good at finance, likes working with people, and is coming out of a professional job at a food supplier. The natural thing your mind says is "restaurant", right? The first question I would ask is: "What experience do you have working with kids?" Restaurants are about managing transient workers – i.e. kids – to execute a repetitive set of tasks. Unless you like kids, it may look like a fit on the surface... underneath you could end up in a franchise you absolutely hate. Now if this person had said,

"I was a teacher" – could you see how the skills of a teacher AND their lifelong interest in working with young minds could be leveraged to keep a bunch of teenagers effectively engaged and performing?

If you miss on these basic characteristics, you could end up in a business which is misaligned to your strengths and core interests. When there is misalignment, you will dislike what you are doing. Remember - I work for you and want you to succeed in finding this optimum alignment and "fit."

However, there is an even bigger issue on the next page...

"Gary differentiated himself more from the standpoint of his longevity of having done it, his past experience, and that just oozed out of him. He knows what he's doing and that just gave us a lot of confidence in dealing with him."

Steven Lehman, Certa Pro Painters

What will your spouse say?

One thing I absolutely guarantee is your list and your spouse's list are not the same. It's not just that your spouse might have a different perception of your strengths and weaknesses, it's that buying a business is one of the largest financial investments most families will make in their lifetime. Buying a business has a similar family impact to buying a home – one wants a bungalow, the other is worried about proximity to schools and both sets of needs must be accommodated. So while you will both have different roles in the process, it's my job to help figure out what BOTH sets of needs are, and find business concepts that fit for the family.

... So how do we get everyone on the same page?

It might sound boring, but two things need to happen:

- 1) we include your spouse in the process – understand their needs, hear concerns, and make sure the business meets these concerns; and,
- 2) we follow a *great proven process (the FranNet research process)*.

Make no mistake: there IS a certain romance about buying a business – it's fun, exhilarating even... But scary at the same time. What balances that excitement and mitigates the fear is knowing with absolute certainty when you arrive at the decision point to buy, that you and your spouse asked the right questions in your due diligence. You were thorough on everything in your research from investigation to knowing how to structure the deal.

At the end of our process you – together with your spouse – make an informed “YES” or “NO” decision secure in the knowledge that the decision was made with proper scrutiny because, in the end, running the franchise you buy must be able to satisfy your financial and lifestyle goals ... while you enjoy performing the core roles you learned about during your research that drive success in that business!

“It's my job to help figure out what BOTH sets of needs are, and find business concepts that fit for the family. Part of this will be looking at how each spouse's strengths and interests will be leveraged ... ie. who will be the primary operator and driver, and who will be in the support role.”

Gary Prenevost



CASE STUDY

The benefit of understanding YOURSELF

"In 2014 I found myself in a career transition and was considering all my options, including business ownership. I always had a keen interest in owning my own business but didn't have a clear path to get there. Having reviewed a number of independent businesses and franchises I quickly realized that even investigating business opportunities was going to be confusing, complicated and risky even for a seasoned business person.

Enter Gary...

He has a process that quickly determines what you like to do and what you are good at. He then matches this with the franchises that will best fit YOU! He will share tools that help you evaluate your options so you know you are making the right decision. Working with Gary, I quickly learned that it's not about the product or service that the franchise sells - it's about the type of work that you like to do and are good at! He helps you gather a wealth of information about yourself and then helps matches you with the franchises that would be the best fit for YOU. He's a straight shooter that will steer you in the right direction. We are in our 7th month of operation with our Express Employment Professionals franchise and the business is tracking ahead of expectations and we love going to work every day! We credit our success to Gary's guidance and professionalism. If you are considering business ownership you should really reach out to Gary - you will be impressed!"

Shane DeCoste
Franchise Owner/General Manager
Express Employment Professionals

"Business ownership is not a short-term fix, it's a path to longer term satisfaction, better utilizing your skills, and creating wealth."

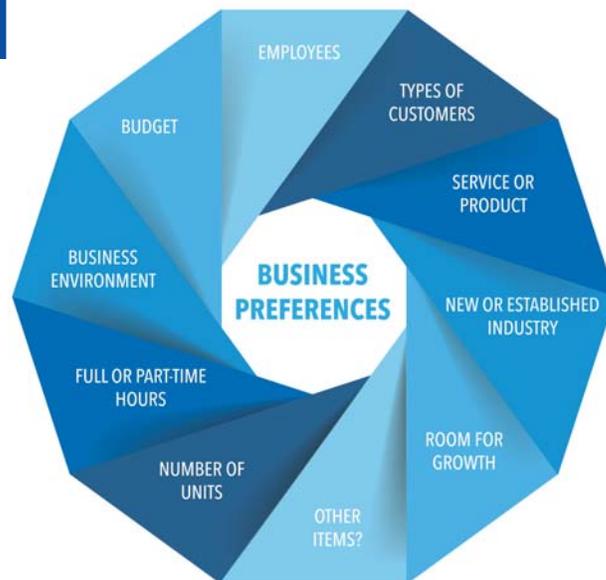
Gary Prenevost



Narrowing the field

Clients want to see rapid engagement and good ideas when they meet with me. So how do I narrow the field to only those franchise opportunities that clearly fit?

- 1) We will get you started with learning more about franchise ownership through watching seminars and reading some critically relevant articles.
- 2) You will complete a Personal Franchise Assessment (PFA), which includes a personality assessment and a look at your financial position and risk tolerance. What are you capable of supporting? What are your short term versus long term needs?
- 3) We will walk you through a detailed skills/interests inventory. The purpose is to get you thinking about not only what types of work you like/dislike, or if you like/dislike sales, but how much control you want, and how much structure from the franchisor you can live with without creating a problem.
- 4) When we first meet, I'm going to ask questions – a lot of questions – and I'm going to listen carefully to the answers so I can be confident of my recommendations. The first 2/3 of the meeting with you and your spouse will focus on building and crystalizing your ideal business model (core skills, passions around types of work, financial and lifestyle goals, business criteria, financial and time resources, etc.). This is about understanding your authentic needs as both a business person and someone who wants to be happy in life with what they will be doing and achieving in their future business.
- 5) During the last 1/3 of this meeting, I will introduce and walk you through the specific franchise concepts (usually 2 – 4) that closely fit your business model. We'll also set up your research process, part of which includes providing you with relevant questions, articles, and objective evaluative criteria.



I'll provide a Business Opportunity Assessment Tool (BOAT) so you have a consistent set of criteria against which you are going to look at each and every franchise opportunity.

That's what working with me is about – getting you quickly on a path to knowing your options and understanding how to conduct effective and thorough research. Remember, **I want you to be investors and operators... not speculators.**

I'm there to guide you on the path so you always know there is someone in your corner as the process evolves, willing to ask you the tough questions, but also willing to share my experience and provide guidance, so that you get to a defensible "YES" or "NO" decision.

"We went through an exercise, my wife and I individually, listed down the pros and cons of the business concept we were zeroing in on. [Gary] wanted [us] to see both sides of the coin. It's important to be mindful of that, and Gary did a good job of fleshing that out with us."

"[When you narrow the field of possible investments] you have to work from the personal needs, personal ambitions, personal self-satisfaction in what you're doing. Once those boxes have been checked off, can you make money out of it. The way that Gary approached it, it had to be monetarily rewarding, but, with that emotional connection, first."

**Geoff Tooton, Franchise Owner
TAB - The Alternative Board**

It's Time to Get to Work

I like the Jackie Chan scene in Karate Kid when he says, "Your focus needs more focus." When you have a set of investments to look at, you become focused. Within this, clients want to also know the questions to ask and get guidance on the material they need to look at – that gives your focus more focus. It takes effort – and you should plan to spend ten to fifteen hours a week combing through documents, making calls, and attending meetings. The key is to make the commitment to doing it right, then be clear on exactly what you want to do at each stage.

Here's some examples of focusing your focus:

- Immediately after your introductory calls with franchisors I introduce you to, each of them will begin sharing progressively more information and material about their specific franchise business model. You need to know what material you should be receiving and reviewing.
 - During the first phase of your research, I'm going to provide you with a list of relevant questions to ask the franchisors, as well as some articles to help broaden your perspective.
 - We will then discuss your progress and findings each week so that you can progressively gain deeper understanding of the business, and most importantly, how well it enables you to achieve your financial and lifestyle goals.
- "Validation" is Phase 2 of your research – you will be talking to between eight and ten existing franchisees, for EACH concept you are considering. I want to show you how to delve into what's happening under the covers, and in the field so that you can get a clear picture of what it's like to work and live in this business every day, and during our weekly calls we will discuss...

See what I mean by being guided?

It's not just what to do. Focusing your focus means also assisting you with tools and ideas for how best to approach each step in the process. **What's listed here is only a partial snapshot of the work we will do together.** Steadily, we're going to hone in on a business concept that works for you because what you should start seeing and hearing is one franchise concept that is head and shoulders above the rest against a solid set of criteria – your criteria!

At any time in this process – you can say "No" – and you should if you are not seeing and hearing what you expect to see and hear from the franchisor. Whenever you are unsure – ask me – because I'm the guy in your corner that you ask when you have questions.

"I worked with Gary last year to help me find out what color my parachute was. My husband and I met with him for 4 1/2 hours and he made us jump through hoops to really figure out what we were best suited for. He asked all the right questions and was just so positive about what was ahead of us. Gary presented us with 2 opportunities, one that was bang on in terms of cultural fit and one that lined up with my passion. He coached us through the process and we purchased a Gotcha Covered Franchise. I'm loving it and would highly recommend Gary to help others do the same."

**Carol Ann Horvat, Owner/Design Consultant
Gotcha Covered Richmond Hill**

Sometimes I need to be brutally frank with my clients

You have to WANT to be an entrepreneur

Because working for yourself is, in part, a choice about lifestyle and a passion, franchise ownership is not for everyone. It's a very personal decision to want something different than what corporate employment is delivering for you today. It's also a commitment you need to make to yourself to make this a success. That means starting with the commitment in the due diligence phase to do the work yourself – I can only guide you, I can't do the work or make the decision for you.

I routinely get asked, **how will I know I really want to be an entrepreneur?** In response, I'll ask you enough of the right questions to help you clarify this for yourself. If you can't achieve enough clarification, then it might mean that franchise ownership isn't right for you, or maybe just not right now.

You need financial resources

For most franchise concepts you will need a net worth of about \$250,000 and liquid assets (or line of credit) for \$100,000^x. Why? Because you should have some degree of financial buffer left over after you've bought the business – most of our clients only invest 25% to 40% of their total net worth. I don't want you getting leveraged so far that you risk going broke. If you want to be an entrepreneur, but don't have these financial resources then it might be best to wait a year or two, save some money and revisit your options with me once you've built a stronger financial base.

Banks and lenders will help you finance proven franchise concepts, but many people have a sense of trepidation when they look at buying a business because they fear the initial outlay – and that's normal. Part of the process is to calculate the total investment outlay – including the amount your family needs while the business is not bringing in income – then look at the assets and resources. As you progress through your research, you will be building a detailed financial and operational plan so that you can start seeing what financial results you can achieve through running that business. As an ex-banker, I will help you prepare for this critical step.

Average Initial Investment Range



INVESTMENT BREAKDOWN

FRANCHISE FEE

START-UP

+ WORKING CAPITAL

TOTAL INVESTMENT



Stick with the process!

You must ask the tough questions - of the franchisors, and of their existing franchisees because it's all too easy to get caught in the hype of becoming an entrepreneur. The process I give you insulates you from an imbalance between emotion and logic and thus reduces your chances of making a bad decision.

Remember when you were first learning to drive, I'll bet there were situations when you over-reacted and came close to being in an accident. Well, there will be a lot of new things you will have never considered when researching a business so don't be surprised if it gets a bit overwhelming at times...

Remember: *following the process keeps the car on the road – think of me as your driving instructor as you journey through your franchise research.*

Timing

Most clients are prepared to dedicate 10 to 15 hours a week to investigating the opportunities presented, and put themselves into the position of purchasing a business with a high degree of confidence in their decision within 8 to 12 weeks. Others need and should take more time. A few clients turn franchise research into a full-time job and make their decision in 5 to 8 weeks – which is okay as long as they don't skip any steps in the research. My advice is to make a commitment to yourself to be through your investigation in under 90 to 120 days. For most people this is a very achievable goal.

This is a big decision

I can only guide you in this decision – you have to be willing make it. **My “contract” with you is to guide you through your research so that you can deliver a defensible “yes” or “no” decision;** either one is perfectly okay. I want you to be able to look yourself in the eyes and know you made the right decision for you, and for your family, whatever that decision may be.

“Business ownership is not a short-term fix, it's a path to longer term satisfaction, better utilizing your skills, and creating wealth.”

Gary Prenevost



Do you want to explore your options?

Let's say you want to explore your options: now what? You're at the first point where you need to make a decision:

- Do you want to be guided in this decision to look at entrepreneurship; or,
- Are you happy with the path you're on?

If you want to be guided and work together with me, I'm going to ask you to be active, focused and engaged. This means spending time with my associates talking about yourself, doing some pre-work so that you and your spouse can come fully prepared to our initial meeting.

In return for your effort and preparation, I'll make sure you leave that meeting knowing more about what you want to accomplish through franchise ownership and what kinds of franchise concepts might be a solid fit for your skills, interests, values and personality.

As a FranNet franchise consultant, I advise hundreds of people each year about what franchising offers entrepreneurs. I work with clients to understand their goals and passions in order to match them up with businesses that offer them the best likelihood of success. Then I focus their research on specific franchise concepts and show them how to investigate it thoroughly before they invest.

Best of all, the service is free to you.

Don't let excitement drive you to a quick decision that will legally bind you to a franchise system for years.

*I'm happy to help.
Feel free to give me a call at
905-405-6300 for a free consultation.*





About the Author

Gary Prenevost

Gary has more than 25 years of experience in business development, career coaching, and franchising in Canada. **Gary has sat on every side of the franchise table:** as a franchisee, franchisor, master franchisee, and franchise consultant/broker.

He educates hundreds of families interested in exploring franchise ownership every year. He also consults with international companies wanting to enter the Canadian market.

Gary launched FranNet of Southern Ontario in 2002 after realizing that his true passion lay in helping others achieve and exceed their life goals. He has since expanded to owning three FranNet markets; he is consistently one of the top five franchisees for FranNet internationally. Gary's locally owned and operated franchise of the internationally recognized franchise matchmaking company helps prospective franchisees identify, research and buy the right franchise opportunity.

Starting his career in banking in 1980, he became a turn-around specialist for under-performing branches. By 1987, he realized that corporate Canada wasn't for him and left the bank to join his family's business where he helped build the commercial contract division through corporate sales and acquisitions of other companies.

Gary's start in franchising in 1991 was as a corporate sales executive for a national training organization. Within nine months, he bought into the franchise system and eventually built his business to achieve Top Five status out of the company's over 100 offices, while also selling over 60 licenses for the company in Canada. In 1997, Gary took over as Vice President of the parent company.

Gary's personal passions are: time with his family, fitness, hiking, skiing, travelling and other outdoor adventures including canoeing and fly-fishing.

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- iv Dan Kelly, *Canadian Federation of Independent Business*, As quoted in the *Globe and Mail*, 2015
- v Nicole Troster, *Perspectives on small business in Canada*, Canadian Federation of Independent Businesses (July 2011)
- vi Ibid Troster, (2011)
- vii *Careers in Franchise Ownership*, FranNet, 2016
- viii Industry Canada, 2016 as quoted by Startup Canada, *Statistics on Small Business in Canada*.
- ix Survival Statistics: 85% is based on 2012 research study of 1291 FranNet clients to determine what percentage were still in business after 5 years. I did a less scientific review of my clients a year ago and believe the data is still representative. The chart also shows StatsCan data for the average survival rate of a small business over a similar period, and the average survival rate of franchises over a similar period as reported by the Canadian Franchise Association. A CAUTION: this is my best understanding of the historical facts, but, historical facts are not predictive of success for an individual. Franchises and individual operators fail for a wide variety of reasons, and you have to take responsibility to understand both a) the risks, and b) what's involved in becoming a strong operator in order to achieve your desired level of success.
- x Having worked with well over a thousand clients, this is the minimum level of investment a new owner should consider.



Contact Gary

To learn more, please email me at gprenevost@frannet.com, or call me at 905-405-6300.

My consultation is always on a no-cost basis for people who want to consider buying a franchise. Since I work with dozens of franchisors, I have a wealth of inside knowledge and am not beholden to any organization. This enables me to be 100% focused on your goals and needs, and not those of the franchisor's need for a prospect.

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