

WORK

Get the most out of going into business

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CAUTIOUS news that the Canadian economy may finally be headed for recovery has many laid-off workers considering their options.

For the legions left holding pink slips in the wake of the economic storm, a severance package could provide startup capital needed to open a business.

When going the entrepreneurial route, however, the first thing to consider is whether to start from scratch or purchase a franchise.

"Buying a franchise, the decision is totally different," says Tony Wilson, a franchise lawyer with Vancouver's Boughton Law firm who has more than 20 years experience. "For some people, it's buying themselves a job."

While Wilson says entering into a franchise agreement can be a good option for first-time business owners, the process also comes with potential pitfalls, which is why he wrote a book on the subject: *Buying a Franchise in Canada: Understanding and negotiating your franchise agreement*.

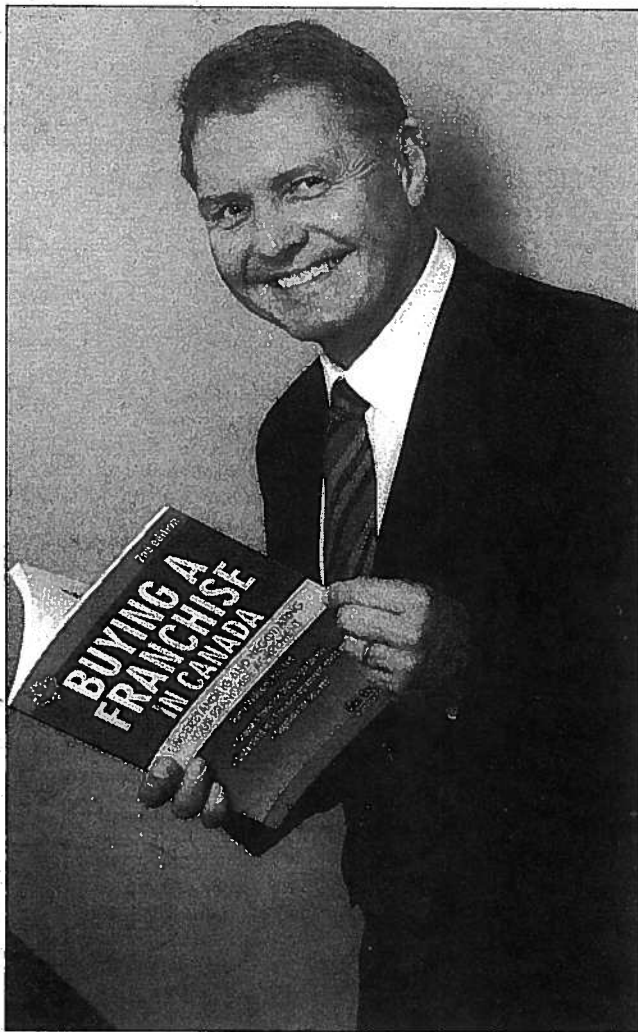
With the second edition of his book recently released by North Vancouver's Self-Counsel Press, Wilson says the publication should be used as a primer for potential franchisees.

"I wrote that specifically because there are no other Canadian books on how to buy a franchise in Canada," Wilson says, cautioning would-be franchisees against using imported material. "About half of what (American books) talk about is irrelevant to Canada."

In his book, Wilson outlines tips for protecting the purchaser in a franchise agreement by deconstructing a standard licensing agreement and identifying what is negotiable and what is not. "One of the things this book does is give you tips on protecting yourself when you're getting into a franchise because not all of them work, many of them fail," he says.

For example, Wilson suggests franchisees put a cap on their personal guarantee when entering into an agreement.

Capping the guarantee is an option not all franchisees realize is open to them — and it's a move that can help take some of the stress off of the purchaser if the endeavour goes south. "Put a limit on the guarantee so the franchisee can sleep at night," he says.



NEWS photo Cindy Goodman

FRANCHISE lawyer Tony Wilson outlines tips for negotiating franchise agreements in his book, published by North Van's Self-Counsel Press.

He also recommends purchasers do extensive research before entering into an agreement.

"First of all, is it a reputable franchise? Has it got legs? Has it proven itself somewhere?" he urges.

"If it's proven itself in the United States it's not necessarily an indication that it'll work in Canada, but it is helpful."

A common misconception among potential franchisees, he adds, is that owning a franchise is the same thing as owning your own business. "You never own the business, really. You're just renting it from somebody else," Wilson says.

And there are often high startup costs, such as construction for new franchise locations, which can add hundreds of thousands of dollars to the price of the licence itself. When compared to a rent-free home-based business, Wilson says franchising is often the more costly option.

But there are benefits to travelling the well-paved road.

"Traditionally there are some statistics that they throw around that franchise businesses have a greater chance

of success than non-franchise businesses. That's generally true," he says. Additionally, franchisees can stand to gain three major advantages over a brand new startup:

■ **Training in the business model.** "They're training you to use their system; training is a huge component in franchising," Wilson says.

■ **Access to a trademark and brand advertising.** "That's what franchisees should expect — to get the benefit of the brand."

■ **Joint purchasing power.** "If you're in a buying group with 16 other restaurants, you're going to get your food cheaper than if you're one restaurant buying your product by yourself," Wilson explains.

Above all, Wilson stresses the point that his book is not a replacement for seeking legal counsel and that retaining a franchise lawyer is the most effective way to ensure franchisees get the best deal on their licensing agreement.

And if you need more proof that the economic forecast is brightening, look no further than Wilson's beaming smile and shiny new sports car. "Do I think it's picking up? I know it's picking up because I'm a lot busier," he says.