

Franchising Opportunities For Social Enterprise

Preliminary Report

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Vancity
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To learn more about Franchising Opportunities for Social Enterprise, contact us at FOSE@Vancity.com or visit www.VancityCommunityFoundation.ca/FOSE.

Contents

	Background	4
1	Social Enterprise	5
1.1	<i>What is Social Enterprise?</i>	5
1.2	<i>Rationale for Social Enterprise</i>	6
1.3	<i>Characteristics of Social Enterprise</i>	6
1.4	<i>Social Enterprise Development Path</i>	7
1.5	<i>Examples</i>	8
2	Franchising	10
2.1	<i>What is Franchising?</i>	10
2.2	<i>Types of Franchises</i>	11
2.3	<i>Relationship Between Franchisor and Franchisee</i>	12
2.4	<i>The Franchise Agreement</i>	12
2.5	<i>Franchise Development Path</i>	14
2.6	<i>Examples</i>	15
3	The Opportunity	17
3.1	<i>Franchisor Value to Non-Profits</i>	17
3.2	<i>Non-Profit Value to Franchisors</i>	17
3.3	<i>What Franchisors are Looking for</i>	18
3.4	<i>Non-Profit Readiness</i>	19
3.5	<i>Summary</i>	20
3.6	<i>Examples</i>	21
4	State of Franchising in Canada	23
4.1	<i>Snap Shot of the Franchise Business Sector In Canada</i>	23
4.2	<i>Impact of Legislation in the Canadian Franchise Market</i>	24
4.3	<i>Franchise Legislation</i>	24
5	Online Resources	25
5.1	<i>Franchising Associations and Sector Resources</i>	25
5.2	<i>Legal Information</i>	26
5.3	<i>Non-profit Franchising Reports & Examples</i>	26
6	Appendix	27
	<i>Franchise Legislation Introduced in BC</i>	27

Background

Social enterprises are businesses that operate to achieve a specific social, environmental, economic or cultural mission or purpose. Often operated by a non-profit or charity, social enterprises contribute to job creation, a stronger local economy, resilient communities and greater prosperity for all.

The three common paths for business development are:



Vancity and Vancity Community Foundation have typically provided strategic support to organizations planning and developing a brand new business from scratch. Supports include:

- Education and workshops to create awareness and knowledge related to social enterprise/business development
- Grants to support business idea assessment and planning
- Grants and investment to support social enterprise launch, and growth, including funding for capital equipment or working capital
- Access to technical support and assistance to enhance business operations

We are now interested in exploring alternative paths for non-profit social enterprise that might facilitate greater success in launch and operation and reduce risk to the organizations and funders. Projects have been initiated to explore both franchising and business acquisition.

In this project, *Franchising Opportunities For Social Enterprise*, Vancity Community Foundation and Vancity are working to develop and carryout a multi-phase plan to explore franchising as one potential option/path for non-profits seeking to launch a social enterprise. The project will be delivered in three phases:

- **Phase 1 - “Research” | September – December 2015**
In the first phase of the project we will carry out research to identify the most suitable franchise opportunities that have strong potential to achieve community impact and operate effectively as a social enterprise.
- **Phase 2 – “Engagement & Evaluation” | January to April 2016**
In the second phase of the project we will engage non-profits and franchisors through an event and microsite. Five non-profits and five franchisors will be selected & evaluated using the frameworks developed in Phase 1 and best “matches” will be determined.
- **Phase 3 – “Implementation” | May to September 2016**
Two potential social enterprise franchise deals involving 2 Surrey based non-profit organizations and 2 franchisors will be identified and developed with navigation support provided through Vancity. The objective is to launch two social enterprise franchises in Surrey in the fourth quarter of 2016.

1. Social Enterprise

1.1 What is Social Enterprise?

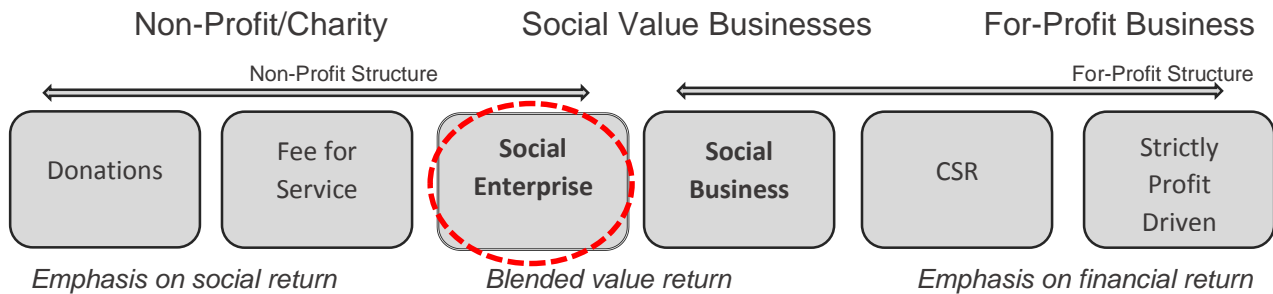
At its most basic a social enterprise is a business venture that exists to contribute to a particular social, environmental or cultural goal while generating revenues from the sale of goods and services. It is often owned or operated by a non-profit organization.

Social enterprises can achieve a wide variety of social impact in one or more of the following ways:

- Creating employment and/or training opportunities for people with barriers to employment.

- Selling related goods & services that are intrinsically tied to the mission goals of the organization.
- Selling unrelated products are/or services where the revenue is reinvested into the mission of the non-profit organization.

A Social Value Continuum Table 1



1.2 Rationale for Social Enterprise

At the community level, social enterprises can offer needed goods or services. Through targeted employment they create opportunities for the unemployed and under-employed and they can build important social relationships and networks that strengthen communities. For the individual non-profit, social enterprise has the potential to support both the mission and financial needs of non-profit organizations through revenue generation and can provide an innovative approach to advancing the organization's mission.

1.3 Characteristics of Social Enterprise

Social enterprises operate across all sectors selling an array of products & services and can take on a variety of forms at a variety of scales. They may sell direct to consumer or to other businesses.

While there is no census of non-profit social enterprises, the most recent social enterprise sector survey carried out by researchers from Mount Royal University (Calgary) and Simon Fraser University (Burnaby), estimate there are over 700 confirmed social enterprises operated by non-profits in BC.

The 121 social enterprises completing this survey collectively have:

- Generated at least \$78 million in revenues including over \$56 million in sales revenue
- Paid at least \$37 million in wages and salaries to 1,900 employees
- Employed 1,260 people living with disabilities and other employment barriers
- Trained 4,640 people
- Provided services to over 860,000 people

- 61% of the surveyed social enterprises work to directly address poverty or provide employment focus.

Of the surveyed BC social enterprises, a substantial portion operate in the accommodation, food and tourism (44%), the arts, culture and communication (36%), resources, production and construction (26%), trade and finance sectors (25%), and health and social services (24%), amongst others.

Source: BC Social Enterprise Sector Survey: www.sess.ca

1.4 Social Enterprise Development Path

There are many approaches to developing a non-profit enterprise; there are multiple starting points and typically the process is not linear. However a commitment to clear planning and focus in developing the social enterprise idea is key to managing the business once it launches.

Phase	Objective
Organizational Readiness	Articulate a vision and objective for your social enterprise. Determine if the non-profit is ready to plan & launch a business.
Opportunity Identification & Prefeasibility	Generate ideas. Screen your ideas to determine which have the best potential to meet your social objectives and succeed as a business.
Feasibility	Test the best idea to see if it will work.
Business Plan	Document how the business will work.
Launch Preparation	Arrange financing, staff, marketing, space and so on.
Start-up	Open the doors
Evaluation	Measure & monitor business success & social impact
Strengthening	Growth/reinvestment, adaptation, and evolution.

1.5 Examples of social enterprise

There are many examples to draw upon to illustrate the wide variety of businesses, sectors, social enterprise types and impact areas of social enterprise. The following examples are social enterprises that have been **started from scratch**.

H.A.V.E. Culinary Training Society

[H.A.V.E's](#) operates a café and offers light catering services. Its mission is to help reduce unemployment in Vancouver's Downtown Eastside and surrounding communities by providing both occupational and life skills training to people who face various barriers and challenges in life so they may be then placed into stable employment.

Sector: Accommodation, Food, Tourism
Business: Café & Catering
SE Type: Employment Training
Impact: Poverty Reduction



Chef & Trainees in the H.A.V.E. kitchen

The Grainery Artisan and Gift Shop

The [Grainery Artisan and Gift Shop](#) is a great place to buy that "One-of-a-kind Peace Country Item"! The shop is located at the Dawson Creek Art Gallery. The gallery is dedicated to the advancement of the visual arts and is managed by the South Peace Art Society.

Sector: Arts, Culture and Communication
Business: Gift Shop
SE Type: Revenue Generating / Related product or service
Impact: Arts & Culture



Dawson Creek Art Gallery was the first gallery in Northern BC.

Success Translation & Interpretation Services

[Success](#) offers multi-lingual translation and interpretation services in over 12 languages to individual clients, private and public service agencies such as Citizenship and Immigration Canada, Immigration and Refugee Board, small claims court, family courts, B.C. Housing, ICBC, legal services agencies and school boards etc. Their interpreters

provide services for citizenship and court hearings, medical examinations, business meetings, workshops, forums and telephone conferences. S.U.C.C.E.S.S. began as a new immigrant settlement service organization which has developed into a multi-service, multicultural agency.

Sector: Arts, Culture and Communication
Business: Translation Services
SE Type: Revenue Generating
Impact: Newcomers

Starworks

[Starworks](#) specializes in contract packaging, fulfillment, kitting and manual assembly. Their mandate is to provide individuals with financial gain, an accessible work environment and skills suited to careers within other companies. Starworks is a social enterprise that has been set up by the Developmental Disabilities Association (DDA).

Sector: Resources, Production and Construction
Business: Packaging & Assembly Provider
SE Type: Revenue Generating / Mission advancement
Impact: Employment Development



An employee of Starworks

Just Renos

Working with commercial, strata, and residential clients, [JustRenos](#) offers a wide array of services including painting, complete renovations, general carpentry, drywall, property maintenance, deck and fence installation - to name a few. JustRenos is a social enterprise of JustWork Economic Initiative - a non-profit organization that fosters dignified, gainful work opportunities through the development of holistic approaches to social transformation.

Sector: Resources, Production and Construction
Business: Renovation & Construction
SE Type: Revenue Generating / Mission advancement
Impact: Employment Development



A project of Just Renos.

Habitat for Humanity Restore

Over 775,000 square feet of retail space is occupied by high-quality building supplies, home furnishing, appliances, and décor at Habitat for Humanity's 90 Canadian [ReStore](#) locations. Revenue generated is used to fund Habitat homebuilding projects.



Retail space at Habitat ReStore

Sector: Trade and Finance
Business: Second Hand Building Supply & Wholesale
SE Type: Revenue Generating
Impact: Affordable Housing

2. Franchising

2.1 What is Franchising?

Chances are you regularly visit a franchise. They exist in every business sector and proliferate the commercial landscape. Your favorite coffee shop, restaurant, and automotive dealers are all likely franchises.

A franchise is essentially a license to operate a franchisor's business system and use its trademark according to the franchisor's standards for a set term, typically between five and ten years, depending on the agreement and the lease.

In exchange for the right to carry on business under the franchisor's trademark and system, the franchisee usually:

- pays the franchisor **an initial fee** for these rights (somewhere between \$15,000 and \$100,000)
- pays **an ongoing royalty** linked to the gross sales of the franchised outlet (between 5 per cent and 8 per cent of gross sales).
- And is often a required to make regular contributions to a regional or national **advertising fund** (between 1 per cent and 4 per cent of gross sales), so that the franchisor can advertise the brand in high-cost media using the contributions of all franchisees.

For bricks and mortar businesses, the franchisee either constructs and develops the premises itself (at its own cost) or in some cases franchisors sell the buyer the constructed premises on a 'turnkey' basis.

Franchisors are essentially selling three things: the value of a recognizable **trademark and brand**; the **know-how** associated with the franchisor's business system (and the franchisor being able to teach that know-how to the franchisee); and the lower unit costs that come from the **purchasing power** of a large buying group.

Source: Adapted from Globe and Mail, Report on Business (Sept 9, 2014)

2.2 Types of Franchises

The British Columbia Law institute literature review identified three basic forms of franchises. Each form has numerous variants.

Business format

The franchisor grants a franchisee the right to use a business system owned by franchisor. This almost always includes a licence to use a trademark, trade name, or logos, and may include marketing strategies, promotional materials, and reporting systems. The franchisee's business is completely identified with the franchisor's trade name or trademark so that customers would not readily distinguish between the franchisor and franchisee. The franchisor may provide support to the franchisee with regard to finding a location for the business, leasing, staffing, training, and other start-up matters, and will usually maintain a significant level of control over the franchisee's business on a continuing basis. Fast food outlets and hotel chains are a well known example of this type of franchise.

Product distribution franchise

This franchise consists of a right granted by franchisor, usually a manufacturer, to sell the franchisor's products with in a specific area. Product distribution franchises typically operate much more like an independent business than franchise units formed under the business format model. The franchisor exercises somewhat less control over the franchisee's operation than in a business format franchise. Customers would tend to see the franchisee as an independent business owner. The only overt connection with the franchisor is the brand name under which the products are sold. Automobile dealerships are often operated under this kind of franchise.

Business opportunity franchise

This franchisee obtains the right to sell products or services supplied by the franchisor and may receive assistance from the franchisor in locating outlets for doing so. Vending machines, coin-operated game machines, and display racks in rented space with in retail stores may be operated under this kind of franchise.

In addition to the basic forms, other agreements may be reached that allow for sub-franchising or specific rights within a defined territory:

Master Franchises (sometimes called Corporate Units)

A master franchise is an agreement in which the franchisor authorizes the franchisee to grant sub-franchises within a specific territory. Franchisors typically use master franchises to expand their franchising networks into different countries or territorial subdivision of countries.

Area Development Agreements (Multiple-Unit Franchises)

An area development agreement is a type of franchise in which the franchisee obtains the exclusive right to open a number of individual unit franchises within a specified territory.

Source: Report on Franchise Act for British Columbia published by the BC Law Institute (March 2014) Page 8. <http://www.bcli.org/project/franchise-act-project>

2.3 Relationship Between Franchisor & Franchisee

Once a deal is made, the relationship between franchisor and franchisee is symbiotic in that both fulfill their strategic role to ensure success.

	Franchisor	Franchisee
Strategic Focus	<ul style="list-style-type: none"> • Roll-out franchise locations • Provide leadership and continuous improvement • Ensure a standard of quality is met, and • Provide on-going training & support to franchisee 	<ul style="list-style-type: none"> • Manage & effectively operate individual locations; and • Provide excellent customer service.

2.4 The Franchise Agreement

As franchise legislation has yet to be enacted in British Columbia (see below “State of Franchising in Canada”), the franchise relationship is governed by the terms of the franchise agreement and the common law of contracts.

The franchise agreement typically will contain terms covering the following elements (at least):

- A licence to the franchisee to use the franchisor’s business system, name and trademarks

- The location of the franchise unit and development of the site
- Which products and services the franchisee is authorized to provide at the location of the franchise unit
- The source from which the franchisee is authorized to obtain products for sale or display, and other supplies and services
- Fees and royalties the franchisee must pay to the franchisor for the right to continue to operate the franchise unit
- Regular or continuous reporting to the franchisor about sales and the operation of the franchise unit, and access by the franchisor to the franchisee's records
- Authorized methods of advertising, the obligation to participate in the franchisor's advertising programs, and to contribute (usually as a percentage of gross sales) to a pooled advertising fund, if the franchisor maintains one.
- Training and other operational assistance
- Insurance
- The term of the franchise, or in other words, the length of time that the franchisee is allowed to operate the franchise unit
- A restrictive covenant on the part of the franchisee not to own or operate a business competing with the franchisor during the term of the franchise agreement, and for a specified time with in a certain geographic area after the franchise ends
- Various other standard obligations of the franchisee, to operate the franchise unit in accordance with all applicable laws, bylaws, and regulations to maintain all required licences, permits, etc in good standing and to dedicate full time and attention to the franchised business
- Default by the franchisee and the franchisor's right to terminate the franchise
- Renewal of the franchise term, and the term on which renewal may be granted
- Transfer and assignment of the franchise
- An obligation on the part of the franchisee to indemnify the franchisor against any liability to a third party arising from an act or omission of the franchisee
- An obligation to keep certain categories of information about the franchise system confidential while the franchise is operating and after it ends with out limitation in time

The franchise agreement will usually contain an entire agreement clause starting that the franchise agreement and any documents incorporated onto it by reference constitute the entire agreement between the parties. This is intended to make unenforceable any statements and representations that were made before the franchise agreement was signed.

There will be a governing law clause in the franchise agreement providing the agreement is to be interpreted and applied according to the laws of a particular jurisdiction.

A franchise agreement may also contain clauses dealing with mediation or arbitration of disputes.

The licence given to a franchisee to market the products or services of the franchise system is usually restricted by the franchise agreement to a particular geographical territory. The licence may or may not be exclusive within the territory that is specified.

Source: Report on Franchise Act for British Columbia published by the BC Law Institute (March 2014) Page 11-13. <http://www.bcli.org/project/franchise-act-project>

2.5 Franchise Development Path

Generally franchising can be broken down into six major phases. At each stage, both the franchisor and franchisee must fulfill certain tasks as required by law or by the franchise agreement.

	Franchisor	Franchisee
1. Applicant Recruitment	Actively recruits for applicants through its website, associations, conventions, and publications.	Researches opportunities through the internet, conventions, publications, and associations.
2. Applicant Assessment	Reviews applications to determine their fit with the company criteria including financial health, proposed location, and business experience.	Submit their application after review the official offering from the franchisor. The applicant may also speak with existing franchisees to assess the franchisor's business concept and support system.
3. Negotiations & Signing	After determining an applicant to be acceptable, the franchisor extends its standard franchising agreement to the applicant.	After receiving an offer from the franchisor, an applicant negotiates any flexible terms of the agreement with the franchisor and then signs the contract after reviewing the final terms.
4. Unit build-out*	Provides its franchisees with site selection assistance, preopening training, and financing (in some cases).	Must attend the training programs, secure a location for their franchise unit, and build-out the

		location to the franchise systems specifications.
5. Unit Launch	The franchisor trains its new franchisee in its grand-opening.	Prepares the unit for opening and institutes the franchisors grand-opening program.
6. Operations Support	Provides on-going training, national and regional advertising, operational assistance, management support, and access to bulk purchasing agreements (in some cases).	Manages the day-to-day operations of its until, following the operating systems developed by the franchisor. Franchisees pay an on-going royalty fee to franchisor (typically a percentage of its revenues).

Source: *Community Wealth Ventures: Nonprofit Owned Franchises: A Strategic Business Report* <http://community-wealth.org/content/streams-hope-social-franchising-new-path-wealth-nonprofits>

2.6 Examples of Franchises

There are a number of franchise concepts similar to existing social enterprises and/or which have built in social value. These franchise show some promise for taking on a social enterprise model. Some examples include:

Good Earth Coffeehouse

Their tag line is “Do Good Feel Good... Committed to the environment and the community”. This coffeehouse was established in Western Canada and comes with a built in mission that includes direct trade relationships with coffee; coffeehouses that are 100% wind powered through an initiative with Bullfrog Power, a green energy provider; and a commitment to community-building initiatives wherever they go with like-minded organizations, including Habitat for Humanity and the Nature Conservancy of Canada.



Sector: Food - Baked Goods / Coffee / Donuts
 Business: Coffeehouse
 Potential: Employment social enterprise

SilverCross

Silver Cross has served more than 200,000 clients in the US and Canada by providing them with the low priced new and recycled healthcare equipment, with the help of its wide network of franchisees and affiliates in the US and Canada.

Sector: Seniors / Home Care & Services
Business: Retail
Potential: Revenue generation & mission fit with seniors serving organization

DownSizing Diva

This is niche business that is strategically positioned in the marketplace with services that are essential for many individuals and families facing a time of transition. Its focus is on downsizing seniors and managing a range of ancillary services that come with moving from cleaning, repair, staging, auctioning, and recycling. The senior services industry on the rise with the number of seniors in Surrey steadily rising.

Sector: Seniors / Home Care & Services
Business: Retail
Potential: Revenue generation & mission fit with seniors serving organization

Bulk Barn Foods

The Bulk Barn brand has become synonymous with a wide range of premium quality bulk food products and complementary packaged items. Their concept is built around a bright, clean, controlled environment with friendly and courteous staff. The emphasis is on freshness and selection of quality product at competitive prices, where customers may buy as much or as little as they wish.



Sector: Food - Grocery / Specialty Shops
Business: Retail
Potential: Revenue generation, food security

3. The Opportunity

3.1 Franchisor Value to Non Profits

By its very nature, franchising mitigates many of the common risks incurred by a non-profit organization looking to start a new business such as an untested product, unknown brand, and unproven business system.

Franchisor Value to Non-Profits				
Proven Business Concept	Established Brand	Defined Operations	Well-defined Cost Structure	Operations Support
Market-tested product or service	Allows npo to compete immediately	Delivers proven processess	Allows for more accurate financial projections	Start -up training National/regional advertising
Secures buy-in among stakeholders	Attracts customers immediately	Allows focus on execution	Helps npo secure start-up capital	Continual management support
	Lends credibility to social enterprise	Provides guidelines for all opeartional issues		Bulk purchasing access

Source: *Community Wealth Ventures: Nonprofit Owned Franchises: A Strategic Business Report*

3.2 Non-Profit Value to Franchisors

Our interviews and review of existing literature each suggest that as functioning entities, non-profits have numerous assets that can be leveraged through the franchising process to drive success. These include:

- **Access to non-traditional financial markets** such as endowments, grants, and patient capital that can significantly reduce the organizations risk in acquiring and capitalizing a franchise unit.

- **Access to non-traditional real estate** – social enterprise franchises may provide an opening into a retail space not traditionally available to a franchisor, such as a hospital or rec-centre lobby.
- **Strong community relationships & reputation** can deliver public relations and marketing benefits for the venture during the launch & marketing of the non-profit franchise.
- **Existing accounting and development/marketing departments** can be leveraged to market the franchise augmenting any marketing activities by the franchisor.
- **Access to loyal & trained workforce.** Employment social enterprises attached to an organization which provides training can reduce recruitment costs by hiring its clients. Training programs can be tailored to the franchise so that the franchise unit would not incur training costs directly.
- **Affiliate network of organizations.** For national non-profit organizations, a success with one franchise may be scalable across the country, reducing the time needed to recruit new franchisees while allowing the company to reap the benefits of partnering with a non-profit organization in multiple markets.
- **The “halo” effect.** Partnering with a non-profit organization has repeatedly been proven to improve employee retention, increase customer goodwill, and visibly enhance the venture’s brand. Franchisors may use this to differentiate themselves from their competitors.

Source: Adapted from: Community Wealth Ventures: Nonprofit Owned Franchises: A Strategic Business Report

3.3 What Franchisors are Looking For

Most franchisors acknowledge that a rigorous process for evaluating a potential franchisee’s fit for the franchisor’s concept is a critical success factor for the franchisee and for the success of the franchise system as a whole.

Although the actual franchise selection process and the specific criteria used by individual franchisors may differ, the research suggests that there are some common factors known to impact franchisee success, including:

- Having adequate **reserves of working capital** should the business be slower to grow than anticipated.
- Having an **interest in finance and business** affairs.
- Having the emotional **support** of friends and family.
- Being able to **work independently**.
- Being able to **get things done** efficiently.
- Being **well organized** and proud of one's personal presentation.
- Having physical and emotional **resilience**.
- Being **comfortable selling** to people.
- Being able to organize and **motivate others** to get things done.
- Having a **belief that one will be successful** through ones own efforts.
- **Working effectively** as part of a group.
- Being attracted to **continuous improvement**.
- Being trustworthy in giving **accurate** information.
- Having a **realistic understanding** of the franchise relationship and the obligations of both parties.

Source: *Best Practice in Franchisee Selection*, 2015 Greg Nathan, Franchise Relationships Institute

3.4 Non-Profit Readiness

Regardless of the path they choose, non-profits considering a social enterprise must prepare themselves for the realities of developing, launching, and running/managing a business. The following three types of readiness have been defined in the Canadian Social Enterprise Guide (2nd edition, 2013) and should be carefully considered.

Basic **organizational readiness** means the non-profit has:

- A clear vision and mission
- A strategic plan
- The capacity to manage change in a positive manner
- The skill to manage internal conflict
- Strong financial management & practice analyzing cost-effectiveness
- Personnel policies & culture that encourages creativity & risk
- A commitment to ongoing learning

In terms of **readiness for social enterprise**:

- The board, management, and staff understand and are interested in the idea of social enterprise

- Stakeholders are informed and supportive
- Potential competitors and allies have been considered
- The non-profit has set aside sufficient resources

In terms of **readiness for business (franchising)**, the organization must have:

- Business experience or a plan to add the expertise at both the board and staff level
- A staff champion for the initiative with the authority to move the idea forward
- Financial and information systems
- Capital to plan and launch
- Human and other resources – either staff must have the skills required of there must be a plan for acquiring those skills.
- An understanding of risks & benefits of franchising

Non-profits should assess their readiness at each stage and continue improve upon organizational capacity to be successful. Systematically and periodically reviewing capacity will help to assess, understand, and correct any problems.

3.5 Summary

In many cases a non-profit has a great business idea and is ready to work hard to build it from the ground up to start its own business. But if it wants to hit the ground running and potentially avoid some of the start-up risks, acquiring existing business or a franchise may be a smoother option.

There are commonly understood benefits and challenges for each path:

<i>Starting your own business</i>	<i>Buying an existing business or franchise</i>
Benefits	Benefits
<ul style="list-style-type: none"> • Complete freedom to design and manage the business according to your vision. • Not bound by anyone else's rules, history or assets. • Opportunity to carve out a new niche in the market. • Can be less expensive than buying a successful business. 	<ul style="list-style-type: none"> • Benefit from the work that has already been done on building a brand, developing customer relationships, developing business processes and acquiring assets. • May start bringing in profits more quickly. • May be easier to get financing because the business model is proven.

Challenges	Challenges
<ul style="list-style-type: none"> • May take time to become profitable. • There is no guarantee of business success and a high rate of failure for new businesses. • Can be more difficult to get financing because lenders or investors are taking a risk with your idea. 	<ul style="list-style-type: none"> • The upfront investment may be higher than if you were starting your own business. • The previous owner and/or franchisor's business model and way of doing business may not be a perfect match with what you envision.

Source: Adapted from Canada Business: <http://www.canadabusiness.ca/eng/page/2692/>

3.6 Examples

There are many examples of social enterprise franchises across North America. These partnerships are working well because they solve fundamental issues that typically plague franchisors and non-profits. Franchisors benefit because they have launched a new location that is owned and managed by a non-profit organization that possesses a strong and favorable community reputation and understands how to follow a proven system. The non-profits benefit because they are buying into proven concepts and corporate office teams who are invested in their success.

Blenz Coffee at HOpe Centre (Vancouver)

Employment & Training Social Enterprise

CMHA and VCH successfully opened the [Blenz Coffee](#) social enterprise café in the HOpe Centre in December of 2014, providing ongoing employment for people with lived experience with mental illness. The Café is only 1 year into operation and is on track to meet its' financial and social outcomes. The CMHA has:

- Employed people with lived experience with mental illness including the café manager.
- Learned how to employ people with mental health challenges and what the



Blenz HOpe Centre Manager Jo-Anne MacDougall & Barrista Matt Mazzei.

accommodations has to look like to work properly. The CMHA rehab team use this experience in their work placement programs and uphold the example when placing individuals in employment.

The Café also serves as a community meeting place for HOpe centre staff, patients and residents of the North Shore. The Café serves as model of how bringing together partners from diverse sectors can create successful enterprises that deliver positive social and financial outcomes

Subway

Employment Social Enterprise

In 2004, this Buffalo, New York church opened the [Subway restaurant](#) to provide job training to neighborhood residents and food for the hungry. In an episode of Under Cover Boss, Reverend Darius Pridgen (28:30), the head pastor, explains the origins and aim of the idea:



“The reason we actually put it in the church was because there weren’t a lot of opportunities in this neighborhood when I got here. We had a high murder rate, and a lot of people not working. So, a lot of people always talk about, “Just give people jobs.” Well, that’s not the key, if they haven’t been trained. So we started collecting an offering. We called it a “franchise offering” – literally called it a “franchise offering.” But we’ve got to do more than build a business. We’ve got to train people. We try to push people into the next level of life.”

The business is providing employment as well access to wholesome food.

Aim Mail Centre

Employment & Training Social Enterprise

The [Aim Mail Centre](#) is owned and operated by Centre Force, a non-profit organization in Washington State with a mission to promote self-sufficiency, inclusion and quality of life for individuals and families of all abilities through education, employment, and community living. This retail service provides high quality shipping and postal services while employing five (5) Centerforce clients. It also serves as an assessment facility for clients going through the intake process.



Papa Murphy's

Employment and Training

Dale Rogers Training Center became the first non-profit in the U.S. to buy a [Papa Murphy's franchise](#), located in Oklahoma City. The social enterprise provides job opportunities and training for people with disabilities to transition into the community workforce. DRTC has won state and regional acclaim for its innovative programs and quality service since 1953. An entrepreneurial spirit and top professional management has provided vocational opportunities to individuals with disabilities and quality, cost-effective solutions for businesses.



Blimpies

Revenue Generating

In 2012, Affordable Homes of South Texas (AHSTI) was faced with a shortage of funds to build enough homes to meet the needs of low-income South Texan families. With the intention of creating a new revenue stream the AHSTI board decided to build a [Blimpie](#) restaurant in Weslaco, Texas, to establish a constant flow of cash for the organization. The Franchisor overcame its initial skepticism about the non-profit once they understood it was a large organization with a budget of over \$70M USD and more than 45 employees including IT, marketing, accounting, and even maintenance professionals. And furthermore, that their board is comprised of business and accounting professionals. AHSTI now reinvests the profits of their franchise into the mission of AHSTI and is considering additional locations.



4. State of Franchising in Canada

4.1 A Snap shot of the Franchising Business Sector

Franchising is a thriving and wide ranging business sector in Canada. There are over 78,000 franchise units operating across Canada, and the Canadian franchise industry

generates about \$68 Billion every year. There are an estimated 1,300 franchise brands operating in Canada with over 60% found in non-food sectors and industries.

Current trends show the largest growth sectors have been Business Consultants & Training and Services, Hair & Nail Salons/Spas, Seniors / Homecare & Services, Restaurants & Dining Rooms, Home Based Businesses, and Health & Fitness & Nutrition.

Surrey has the second largest number of franchise locations (1,307) in the lower mainland after Vancouver (2,299) in 2014 and the number of franchise locations has grown from 1,043 in 2009 to 1,335 in 2015. *Source: Small Business BC*

4.2 Impact of Legislation on the Canadian Franchise Market

Constitutionally, franchise regulation in Canada is a provincial jurisdiction. As a result, national uniformity that comes from a single piece of federal legislation is not available and the fear has been that Canada would repeat the pattern in the U.S. with its wide variety of state approaches to this increasingly crucial area of the economy. Fortunately, through a combination of the U.S. example, the efforts of the Canadian Franchise Association and the thoughtful actions of provincial law makers, the Canadian franchise legislative landscape is amazingly uniform in the most important and fundamental ways. The differences that do exist, while a headache for those charged with compliance, are few and fairly minor.

Source: Franchise Law in Canada (Mondaq):

<http://www.mondaq.com/canada/x/310188/Franchising/FRANCHISE+LAW+IN+CANADA+WHERE+WE+ARE+AND+WHERE+WE>

4.3 Franchise Legislation

In 2014, the British Columbia Law Institute recommended that British Columbia become the sixth province to enact franchise legislation. On Oct. 5, 2015, the Government of British Columbia introduced a *Franchises Act* for the Province of British Columbia. It is expected that the legislation will be approved by the Government of British Columbia in the Fall of 2015 with the *Franchises Act* in force towards the end of 2016 or early in 2017.

The legislation is based upon the model franchise act recommended by the Uniform Law Conference (ULC) and the 2013 report of the British Columbia Law Institute (BCLI) which recommended franchise legislation for British Columbia.

Alberta, Ontario, Manitoba, PEI, and New Brunswick already have legislation in place that imposes pre-sale disclosure requirements to guard against investors being misled

when purchasing a franchise. Their legislation contains other important protections also aimed at levelling the playing field between franchisors and franchisees. The Uniform Franchises Act developed under the Uniform Law Conference of Canada Commercial Law Strategy was the model for the franchise enactments of several of those provinces.

A copy of the recommendations report is available on the [Franchise Act](#) project page. Further information is available in the appendix.

5. Online Resources

There are a number of online resources to support further exploration of franchising:

5.1 Franchising Associations & Sector Resources

Canadian Franchising Association

www.cfa.ca

The Canadian Franchise Association (CFA) is the recognized authority on franchising in Canada. With 600 corporate members representing many of Canada's best-known brands and 40,000 franchisees nation-wide, CFA is the indispensable resource for the franchise community and advocates on behalf of franchisors and franchisees in Canada to enhance and protect the franchise business model. CFA promotes excellence in franchising and educates Canadians about franchising, specific franchise opportunities and proper due diligence through its many events, programs, publications, and websites (www.cfa.ca and www.LookforaFranchise.ca).

Canada Business Network

<http://www.canadabusiness.ca>

The goal of the Canada Business Network is to provide businesses with the resources needed to grow and prosper, including a wide range of information on government services, programs and regulations.

Canada Business Network promotes entrepreneurship and innovation, and provides assistance through an organized network of service centres across Canada. There is a centre in each province and territory working with partners in many communities across their region, providing you with numerous service access points.

Visit the franchising section for information and resources:

<http://www.canadabusiness.ca/eng/page/2715/naics-238190/>

5.2 Legal Information

British Columbia Law Institute

<http://www.bcli.org/project/franchise-act-project>

This project considers whether there is a need for franchise legislation in British Columbia and, if so, what provisions the legislation should have. An important component of this project is a review of the Uniform Franchises Act to determine if it is appropriate for enactment in British Columbia and what changes would need to be made to the Act and other laws to facilitate its implementation in this province. Adopted by the Uniform Law Conference of Canada in 2005, the Uniform Franchises Act creates a model regulatory regime for the operation of franchises in Canada. Among its key features are provisions dealing with disclosure, the duty of fair dealing, rights to rescission, damages for misrepresentation, and dispute resolution. Several Canadian provinces have franchise legislation in place. British Columbia is currently in the process of enacting legislation.

5.3 Non-Profit Franchising Reports & Examples

Nonprofit-Owned Franchises: A Strategic Business Approach

http://www.franchise.org/sites/default/files/ek-pdfs/html_page/nonprofit_owned_1.pdf

Prepared by Community Wealth Ventures, Inc. & IFA Educational Foundation in March 2004, this report found that the non-profit sector represents a viable market for franchisors to expand their systems and that franchising mitigates many of the risks incurred by a non-profit looking to start a small business venture.

Streams of Hope: Social Franchising. A new path to Wealth for Non-Profits

<http://community-wealth.org/files/downloads/report-cwv.pdf>

Produced by Community Wealth Ventures Inc and the Social Franchise Ventures Initiative (USA), this report includes examples of non-profits who have started social enterprises using a franchising model.

Hope Café serves more than coffee. New NV social enterprise offers opportunities for those who have experienced mental illness (Article)

<http://www.nsnews.com/news/hope-caf%C3%A9-serves-more-than-coffee-1.1741163>

Brewing Hope (Video)

<http://www.cbc.ca/news/canada/british-columbia/brewing-hope-1.2936552>

6 Appendix

Franchise legislation introduced in British Columbia.

By Peter V. Snell October 2015 – Gowlings e-newsletter

On Oct. 5, 2015, the Government of British Columbia introduced a Franchises Act for the Province of British Columbia. It is expected that the legislation will be approved by the Government of British Columbia in the fall of 2015 with the Franchises Act in force towards the end of 2016 or early in 2017.

The legislation is based upon the model franchise act recommended by the Uniform Law Conference (ULC) and the 2013 report of the British Columbia Law Institute (BCLI) which recommended franchise legislation for British Columbia.

The B.C. Ministry of Justice formed an Advisory Group in May 2015 to review the BCLI recommendations and to review the ULC model franchise act. Peter Snell, co-leader of Gowlings' franchise and distribution law practice group, was a member of the Advisory Group and was instrumental in advocating for changes to the legislation that would assist in solving some of the practical challenges under the franchise legislation in other Canadian provinces. These provisions include:

- wrap-around disclosure documents are permissible if supplemented with additional information required to comply with the British Columbia legislation and regulations
- franchisors can accept a fully refundable deposit from a prospective franchisee prior to the franchisor providing disclosure so long as the deposit does not exceed an amount prescribed by regulation, is refundable without deductions and does not obligate the franchisee to enter into any franchise agreement
- the prohibition against a waiver or release of rights under the legislation does not apply to a post-dispute settlement agreement
- classic distribution arrangements will be exempt from disclosure
- franchise disclosure documents must meet a "substantial compliance" standard
- transactions involving franchisees making significant investment (anticipated to be \$3 million) will be exempt from franchise disclosure

The regulations to the Franchises Act will be drafted based upon the ULC model franchise regulations and the BCLI report. The Ministry of Justice Advisory Group will be reviewing the draft regulations prior to their public release.

With the enactment of the Franchises Act, British Columbia will become the 6th province in Canada to regulate franchising, following the Provinces of Ontario, Alberta, Prince Edward Island, New Brunswick and Manitoba.