

# BRIDGE INTO

With a fertile, pro-franchising business community, Canada is providing an excellent market for international franchisors and a stepping stone into the US

Text: Stuart Anderson

THE hosting of the Olympics always provides a boon to local business, and Canada is expecting to reap the benefit of a host of new business start-ups in the build up to the 2010 Vancouver Winter Olympic Games. Not that franchising needs the boost - the industry represents a Can\$10 billion (GB£4,600 million) in sales per year. That accounts for 35% of Canadian restaurant sales and 45% of retail sales. The most recent report conducted counted 1,800 franchises operating in Canada, with 76,000 franchisees employing 1.5 million Canadians. The industry is growing at a rate of 4,400 new franchised businesses a year, with an 86% survival rate after five years.

Many of these franchises are US brands - Canada hosts the largest amount of active US franchisors outside the US, not unsurprising given that the two countries share the longest unguarded border in the world stretching 3,308 miles. In addition the majority of both populations share a common

language (English), contributing to an easy and constant exchange of information between countries via the media. Added to this is the Canada/US Free Trade Agreement, which has resulted in an increasing flow of goods and services across the border in both directions - although it should be noted that this doesn't cover goods and stock originating outside the US.

In addition, several international companies use Canada as a test-market site for their North American operations, enabling them to establish a base from which to target the much larger US marketplace. There is a significant amount of European brands also operating in Canada - especially British and French brands, but also Asian brands reflecting the diverse ethnicity of the population.

Language is a big issue when looking at doing business in Canada. The country has two official languages - English and French. According to the 1991 Census, English is the first language for 63% of Canadians (17.2 million), while

French accounts for another 25%. That means that by failing to accommodate for the French-speaking population, a business is ignoring a quarter of the market.

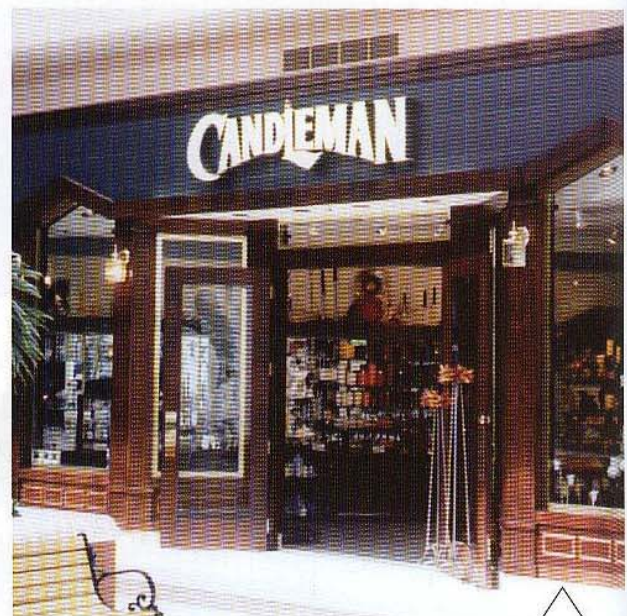
There are also legal issues involved - the Quebec Charter of the French Language includes provisions concerning brand names, public signage, commercial advertising, product labelling, and brochures. In the Quebec region, a company must adopt a French firm name in order to be incorporated, registered or licensed, and this name must be used in Quebec. In addition, public signs and advertising that appear in franchise outlets must appear in French only, although those in a place of business may also carry a second language as long as the French predominates.

Exceptions are provided for in newspapers or magazine advertisements. However, the French marketplace responds much more favourably to a marketer who demonstrates insight into its specific needs. Common businesses practice in Canada is to treat the French marketplace as a separate entity within the Canadian marketplace.

Canada is the world's second largest country after Russia, covering 3,830,840 square miles, but its population is relatively small (approximately 31 million - one tenth of that of the US). This contributes to making marketing to Canadians is more expensive per capita than it is to most other markets through higher distribution costs.

Canada is divided into provinces, with approximately 61% of the population clustered around major centres in Montreal, Toronto, Winnipeg and Vancouver. The nature of the population distribution combined with language factors make Canada ideal for area development franchising, which is prevalent among the international franchisors that are in operation there, such as US candle retail concept Candleman. "There is room for six master franchisees to

**Several international companies use Canada as a test-market site for their North American operations**



**Pic: Candleman has divided Canada into six area development territories**

# NORTH AMERICA

divide into territories," comments vice president Doug Wise. "This will provide each of our masters with the potential to build a network of up to 25 retail stores."

The brand is pushing ahead with its Canadian expansion strategy having established a pilot franchisee operation in the market. "My sense is that there is no reluctance on the part of Canadian investors to invest in US franchises," Doug Wise adds. "The only adaptation required has been in our product line. The amount of paraffin used for candles in Canada is seven times the amount per capita than in the US - the market here is enormous and we have been attending trade shows to source local products."

**Statistics of interest:**

Gross Domestic Product	Can\$1,154,949 million
Foreign direct investment	Can\$349,388 million
Unemployment rate	7.7%
Labour Force (aged 15+)	Can\$16,689,400

**Major trade partners - Imports**

USA	Can\$254,929 million
Japan	Can\$11,732 million
UK	Can\$10,312 million

**Major trade partners - Exports**

USA	Can\$346,990 million
Japan	Can\$10,291 million
UK	Can\$6,239 million

**Business Credit:**

Short term	Can\$886,485 million
Long term	Can\$264,300 million
	Can\$622,185 million

The Canadian business environment has produced a host of successful international franchise brands, including Swisher, Shred-it, Tim Hortons (which recently outperformed its US parent company Wendy's International) and WSI Internet, which has established over 700 offices in 87 countries around the world.

"In the early infancy of the internet we found that the Canadian business populace were ready to receive what we had to offer in terms of the franchise and the service," recalls WSI's Nigel Mayne. "We grew to around 35 to 40 offices in the first two years. Canada represents a very fertile environment for franchise expansion - Canadian legislation doesn't require the reams of preparation, such as UFOCs, and the people are much more open to new business concepts. The country is cross cultural, very anti-discrimination, and accepting of each other. The national character is broad minded and easy to share visions with. In addition, many franchisees are imported Canadians - there is a high

**"The national character is easy to share visions with"**

proportion of immigration of business professionals."

A ripe business environment, enthusiastic population, fast growing franchise industry and the Winter Olympic Games are combining with tax cuts, a strong infrastructure and an open regime for foreign trade have created an excellent opportunity for international franchisors to establish their brand. In fact, a recent survey carried out by the Economist Intelligence Unit - an arm of the *Economist* magazine - revealed that Canada has unseated the Netherlands and stayed ahead of Finland, the UK and the US to become the number one country in which to conduct business over the next five years. "Despite pressure on public finances, the Canadian government will be able to implement the remaining elements of a tax-cutting package," the EIU survey said. "The defeat of separatists in Quebec's provincial election should end speculation about a third referendum on independence and signal the start of a new era for the territory's relations with the rest of Canada." **F**



**Pic: WSI Internet's head office building in Toronto, Ontario - this Canadian brand is established in 87 countries around the world**

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