



# Franchisee Checklist

Looking to buy a franchised business in B.C. and not sure where to start or what you should know about? The Franchisee Checklist provides you with information on what you should consider, along with tips, questions to ask and links to resources which will help you along this path.

**Do Your Homework** - When considering whether to enter into a franchise make sure you understand exactly what you will be getting - research is your first step in becoming a successful franchisee.

## Definitions

Express an interest in becoming a **franchisee** with a particular **franchise**.

Talk to the **franchisor** and ask them **questions** to help understand the **franchise**.

**Franchisee** – The person who is buying into the franchise.

**Franchise** – The franchisor sells the right to use their trademarks (brand) to the franchisee in return for a fee. The franchisee is provided with the franchisor's standards, methods, procedures, techniques and specifications to follow for brand consistency as part of the franchisor's business system.

**Franchisor** - The person who is selling the franchise concept (or business system), who controls the operating system and brand name, and who provides support to the franchisee.

**Know What's In It** - Disclosure Documents, Franchise Agreements (and associated lease agreements) are typically long contracts, make sure you understand your obligations.

Get a copy of the **Disclosure Document** from the franchisor and read it in full.

The Disclosure Document should contain a list of contact information for all current and former franchisees of the system.

Talk to other franchisees and ask them **questions** to help understand what it is like to own the franchise.

The Disclosure Document contains within it the **Franchise Agreement**.

Review your lease.

### Tip

The detailed requirements of what must be included in the Disclosure Document are outlined in the [Franchises Regulation](#).

### Tip

Along with information on the background of the franchise, the Disclosure Document may include topics such as:

- Costs of establishing the franchise
- Training and support provided
- Financial statements of the franchisor

### Tip

Remember you are only buying what is stated in the Franchise Agreement, so read the document thoroughly.

### Tip

Some things to check for are:

- How long is the franchise grant?
- Are you granted exclusive territory? If so, what is it?
- Do you have renewal rights? If so, how long, and how are they triggered?
- Does the franchisor promise training? Who pays the costs?

### Tip

It is recommended that you review all documents with a lawyer (preferably with expertise in franchising) before you sign any contracts or agreements.

## Definitions

**Disclosure Document** – Contains all of the required information that the franchisor must disclose about the franchise and about their business background, plus anything else that would significantly affect the prospective franchisee's decision to enter into the franchise.

**Franchise Agreement** – Is the contract that the franchisor and the franchisee enter into that governs their relationship for the duration of the franchise.

## Know Your Rights - Franchise law is complex and differs in each province and territory in Canada.

- Familiarize yourself with the B.C. *Franchises Act*.

The *Franchises Act* - governs franchised businesses in B.C. and provides important legal protections for B.C.-based franchisees who operate a franchise.

### Tip

If you have a dispute with your franchisor, the Act provides franchisees with legal rights and protections that they previously did not have in B.C. including:

- Requiring that contracts include pre-sale disclosure requirements;
- Providing legal rights and protections to help parties to resolve disputes; and
- Requiring disputes to be heard in B.C.

## Things to Consider - Once you sign the franchise agreement or pay money to the franchisor, you become a franchisee. Along with this comes responsibilities and things to consider as a business owner.

### Some business planning considerations include:

- Identify any skills or training you may need before buying the franchise.
- Take care of accounting, local marketing, staffing and other administrative aspects of operating a business.
- Invest your time, particularly during the start-up phase, by working hands-on in the business to fully understand the operational side of the franchise.

### Tip

It is recommended that you review all documents with a lawyer (preferably with expertise in franchising) before you sign any contracts or agreements.

### Tip

It is recommended you seek advice from a finance expert before you sign any contracts or agreements.

## Resources



Looking for more information on starting a business in B.C. – the following B.C. Government resources, including translated guides will help point you in the right direction.



Community Futures delivers a variety of business services - there are 34 offices in B.C. offering counselling and assistance for new and existing businesses.



WorkBC will help you successfully navigate B.C.'s labour market, manage your employees and maintain a safe and healthy workplace.