

# NEW DATA SHOWS FRANCHISING CONTINUES TO EXCEED GROWTH EXPECTATIONS

**Two new IFA reports indicate continued strength and resilience of franchised businesses despite economic uncertainty; policy concerns could slow growth**

The International Franchise Association (IFA) recently released its annual Franchising Economic Outlook showing that franchise growth exceeded projections for 2023, even in the face of ongoing economic uncertainty. On top of the 2.2 percent growth experienced in 2023, the report forecasts that franchises will grow an additional 1.9 percent in 2024, adding 15,000 units and 221,000 jobs in the United States. IFA also released the findings from its 2024 Franchisor Survey detailing the challenges posed by the labor market, rising prices, and policy trends.

"More than anything, these reports demonstrate the resilience of the franchise business model," said Matthew Haller, IFA President and CEO. "Even in the face of macroeconomic factors like high inflation, labor availability and the cost of capital, franchised businesses continue to outpace the growth of the broader economy. For those considering a franchise investment or IFA members

growing their brands, franchising continues to be a major driver of economic growth and small business creation."

"The data shows franchising continues exceeding economic expectations," said Darrell Johnson, CEO of FRANdata. "Even amid rising interest rates, franchising grew ahead of our projections. With continuing inflation and labor challenges, a U.S. presidential election, geopolitical tensions, and technological advances in artificial intelligence, 2024 should be a transition year for the U.S. economy but franchising continues to stand out."

Key findings from the 2024 Franchising Economic Outlook include:

- The number of franchise establishments will increase by more than 15,000 units, or 1.9 percent, to 821,000 units. Franchising exceeded FRANdata's projections for 2023, with establishments estimated to have grown by 2.2 percent compared to the 1.9 percent previously forecasted and an increase compared to the 1.8% growth rate recorded for 2021 to 2022.

- Franchising is expected to add approximately 221,000 jobs in 2024 and bring the total employees to 8.9 million in the United States.

- Total franchise output will increase by 4.1 percent, from \$858.5 billion in 2023 to \$893.9 billion in 2024.

*Continued on page 36)*

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**FRANCHISING ECONOMIC OUTLOOK**

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- Personal services and quick service restaurants (QSRs) will experience the strongest growth of any industry.
- Growth in the Southeast and Southwest will outpace the rest of the U.S. franchise market in 2024. The top ten states for franchise growth include: Texas, Florida, Georgia, North Carolina, South Carolina, Tennessee, Maryland, Arizona, Colorado, and Virginia. California and Washington are forecast to be the slowest-growing states for franchising at - 4.2 percent and -2.3 percent, respectively.

Conducted by FRANdata, an industry-leading research and analytical firm, the Franchising Economic Outlook is IFA's annual study detailing the franchise sector's performance for the past year and projected economic outlook for the year ahead, as well as an in-depth state outlook for all 50 states and Washington, D.C.

In addition to the Economic Outlook, the 2024 Franchisor Survey highlighted the continued economic challenges facing franchising. Despite these economic headwinds, the forecasted growth reinforces the franchise sector's enduring strength.

The survey revealed:

- 80 percent of respondents reported that their franchises have unfulfilled job vacancies. Inflation, the third leading business challenge, dropped in rank, with only nine percent of respondents citing it as their primary concern,

down from 20% the previous year.

- 34 percent of businesses cite the cost and quality of labor as the number one business challenge, but down from 47percent in 2023.
- Franchisors are highly concerned that the relationship with franchisees will change due to the Biden Administration's new joint employer standard, with 74mpercent citing a high-level of concern.
- 81percent of the respondents increased wages in the past 6 months, and only 61 percent are planning to increase in the next 6 months due to ongoing regulatory uncertainty.
- Rising prices, including higher wages, have led to margin compression. Emerging challenges for the year ahead include the cost of financing and weakening consumer demand.

**About the International Franchise Association:** Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 806,270 franchise establishments that support nearly 8.7 million direct jobs, \$858.5 billion of economic output for the U.S. economy, and almost 3 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.